

Pamph
Econ
Mon

The Artificial Currency
and
The Commerce of India.

BY

MR. JAMSETJI ARDASEER WADIA.

SECOND EDITION.

Bombay:

THE JAMSETJEE NESSERWANJEE PETIT PARSI ORPHANAGE
CAPTAIN PRINTING WORKS.

1902

THE ARTIFICIAL CURRENCY AND THE COMMERCE OF INDIA.

Preface to the Second Edition.

A thousand copies of this pamphlet were issued on the 17th December, 1901. As the demand for them continued and I had no more copies left to meet the requirements of the public at large, and considering also the vital importance of the question which in my opinion very largely affects the well-being of India, I am induced to issue a thousand copies more. In the pamphlet as thus republished I have inserted all the letters written from time to time since the first issue in order to bring it up to date. I have also added a few more articles from the 'Indian Spectator' with the kind permission of Mr. Behramji M. Malbari, the present proprietor of the journal. The present edition has been thoroughly and very carefully revised, and mistakes which had unavoidably occurred in the previous edition have been corrected as far as possible. Owing to the few additions mentioned above the pamphlet has somewhat increased in size, but to those who being debarred by want of time from going through the entire correspondence, are still interested enough in the subject, and wish to get some idea of its wide bearing and far-reaching effects on the commerce of

India, I would recommend the perusal of the letters and articles which are numbered below and which will give a fair idea of the question. A few articles and letters, however, are not numbered, as they were written when the pamphlet was in the press. For the convenience of my readers in England I also give below the approximate sterling value for Indian money.

Letters.

Articles.

14, 15, 16, 19, 22, 23, and 8, 12, 13, 14, 15, and on
on page 160. page 156.

Re. 1 : intrinsic value, about 11*d*.

Re. 1 : artificial value, about 16*d*.

Rs. 15 = 1 sovereign.

One lac (Rs. 100,000) = about £6667.

Hundred lacs, or one crore (Rs. 10,000,000) = about
£666,667.

JAMSETJI ARDASEER WADIA.

Bombay, 5th May 1902.

The Artificial Currency and The Commerce of India.

PREFACE.

I have been writing letters for the last twelve months in the press of India and England about the Currency question which I consider of vital importance to the well-being of India.

Several of my friends are strongly of opinion that it will serve a useful purpose, if these letters were collected and reprinted in pamphlet form. I have issued this pamphlet in deference to their opinion.

Many articles have appeared from time to time in the columns of the "*Indian Spectator*" on the same subject, and with the permission of the proprietor Mr. N. M. Dumassia, I am now enabled to give these leaders also in this pamphlet. To those who are pressed for time or are disinclined to go through the entire correspondence and also all the leaders of the "*Indian Spectator*," I recommend the perusal of the following letters and articles which are numbered and which may give a fair idea of the question.

Letters.

13, 16, 17, 18, 19, 20, 21.

Articles.

8, 10, 11, 12, 13, 14, 15.

JAMSETJI ARDASEER WADIA.

Bombay, 17th December 1901.

THE ANTI-SLAVERY

AND

THE CONQUEST OF INDIA

—

THE

—

THE CONQUEST OF INDIA

THE CONQUEST OF INDIA

THE CONQUEST OF INDIA

THE CONQUEST OF INDIA

THE CONQUEST OF INDIA

THE CONQUEST OF INDIA

THE CONQUEST OF INDIA

THE CONQUEST OF INDIA

THE CONQUEST OF INDIA

THE CONQUEST OF INDIA

THE CONQUEST OF INDIA

THE CONQUEST OF INDIA

THE CONQUEST OF INDIA

THE CONQUEST OF INDIA

THE CONQUEST OF INDIA

THE CONQUEST OF INDIA

THE CONQUEST OF INDIA

THE CONQUEST OF INDIA

THE CONQUEST OF INDIA

THE CONQUEST OF INDIA

THE CONQUEST OF INDIA

I

The "Times of India" 18th November 1900.

CURRENCY LEGISLATION AND THE MILL INDUSTRY.

Sir,—A very interesting correspondence has gone on in the columns of your paper with reference to the Mill Industry as affected by the Currency Legislation of the Government of India. I am very much inclined to agree with Mr. Sassoon J. David, and I think that, as compared with Japan Mills, we are at a disadvantage.

"B" has written to say that, as Japan depends upon Indian cotton for its manufacture, both the countries are on a level footing ; if anything, India enjoys an advantage, because it can get cotton on the spot, and has a better opportunity to pick and choose. This is, no doubt, substantially correct. But in manufacturing yarn, cotton, though a chief factor, is not the only factor, and I believe that we are at a disadvantage as regards exchange when we take into consideration such items as insurance, interest on loans, and labour. I will endeavour to make my meaning more clear. I presume, for the sake of argument, that in both the countries one anna per lb. is the cost of all other items except cotton, and what I say is that, when we get back these items of one anna from China by the sale of our yarn, we get fewer rupees than Japan owing to exchange, and to that extent we suffer. I do not say for a moment that we pay more for our labour, interest, etc., but what I contend

is that when we get all these charges back from China, we get a smaller sum of money than Japan. "B" contends that our misfortune is owing to over-production. That I allow. I also believe that the "quarter of an anna per lb. system" is at the bottom of this over-production. But the giving of the quarter of an anna per lb. commission does not affect the gross profit, because, if the agents charge an average, say Rs. 65,000 per annum, they simply put that into their pockets, which they can very well divide among their shareholders; but the money remains in the country all the same, and I believe that as far as India is concerned, it does not count for much; it is a question purely between shareholders and their agents. I am against the commission system myself, but I would sooner be a shareholder of the Maneckji Petit Mills which pays commission, in preference to the Colaba Mill which pays no commission, not even 10 per cent., on profits, and which never satisfies its shareholders. The closing of the mints has had an injurious effect upon our industry, and those who sank their money never dreamt that our Government, in order to rescue itself from embarrassment, would put us into a hole. Instead of paying for their debts which required twenty-one rupees for every sovereign, they, by a stroke of the pen as it were, passed a law, the effect of which is that they are only required to pay fifteen rupees. In the *The Times of India* of the 8th inst., the following passage occurs in a letter dated London, October 19th. Mr. J. H. Gwyther, the Chairman of the Chartered Bank of India, Australia and China, said as follows:—"The Indian Currency problem I regard as still unsolved although the desired steadiness

in exchange has been fairly maintained much to the advantage of Manchester. The supply of rupees in the absence of the internal demand for gold has proved insufficient, and the authorities have been compelled to purchase nearly £4,000,000 worth of bar silver during the current year to increase the circulation. The profits on these operations will yield a surplus of £15,000,000. No doubt a *bonne bouche* for the Government, but whether such an adventitious addition to the reserve is desirable from an economic point of view is debatable."

Leaving aside the consideration of the advantages enjoyed by the Indian Mills before the closing of the mints, and the advantage enjoyed by Japan owing to that fact, the present position is as follows:—

If we sell 100\$ worth of yarn in China we will get Rs. 157 in Bombay. If Japan sells 100\$ worth of yarn in China, she will get 103\$ in Japan, and if the same be brought to Bombay, will give Rs. 155.8-6. At present, owing to rise in exchange between Bombay and China, we are on equal terms,—if anything, we are better off at this moment—Yours, etc.,

JAMSETJI ARDASEER WADIA.

Bombay, October 15th, 1900.

II

*To The Editor "The Times of India" 25th November,
1900.*

CURRENCY LEGISLATION AND THE MILL INDUSTRY.

Sir;—I have failed to convince your correspondent "B" of the *Times of India*. He has appealed to figures in his last letter; I will do the same.

Now, Sir, it is a fact that after the closing of the mints, China exchange toppled down and for \$ 100. At one time we could not get more than Rs. 135, and we remained in that neighbourhood for a long time.

I will submit a few figures for consideration, and will endeavour to show how we suffered in exchange owing to the currency legislation in all our working charges.

I will assume the price of 20s. before the closing of the mints at 6 as. per lb., which was made up of $4\frac{1}{2}$ as. cotton and $1\frac{1}{2}$ as. charges. One bale of 20s. was worth at the above rate Rs. 150, which at Rs. 225 exchange was equal to \$ 66.66. One-fourth of \$ 66.66 is about \$ $16\frac{1}{2}$, which represents all working charges.

I will now take the present state of affairs. I will take the price of No. 20s at 6 as., which is equal to Rs. 150, made up of $\frac{3}{4}$ cotton and $\frac{1}{4}$ charges as in the previous instance, that is to say, Rs. $37\frac{1}{2}$ for charges to get which at Rs. 150 exchange I require \$ 25 ; so before the closing of the mints I required \$ $16\frac{1}{2}$; but I now want \$ 25.

Now take the case of Japan. I will assume that their labour charges before and after the closing of the mints came to the same as ours. Say that they too got for 20s bales \$ 66.66 made up of \$ $16\frac{1}{2}$ for charges and the rest for cotton. They required \$ $16\frac{1}{2}$ for all working charges before the closing of the mints. Now, too, they require \$ $16\frac{1}{2}$ for the same against our \$. 25. This is the advantage which has been conferred by running our exchange down from Rs. 225 to Rs. 150 by the closing of the mints.

I said before that we suffer in exchange as regards all our working charges except cotton, and the above

figures, as far as I am able to judge, show the difference against us.

Now it was contended by "B" that if Bombay and Japan are buying in the same market and selling in a neutral market, whatever may be the exchange or currency, it does not matter a bit. This is no doubt correct, but "B" evidently forgets that whilst Indian Mills are buying not only cotton but buying labour and everything else which may be required for the purposes of manufacture, and which I included in the general term, working charges, Japan is buying cotton only, and hence she saves the loss in Exchange on her working charges which come to 25 per cent., and which are incurred in Japan, and which she recovers from China without loss, as \$ 100 are equal to 100 yens. Say, that Bombay and Japan sell \$ 100 worth of yarn in China, Bombay brings back this entire sum, whilst Japan is obliged to bring back to Bombay \$ 75 only, which represents the value of cotton, but she keeps the \$ 25 which represent all working charges and on which she does not lose by exchange. In the *Times of India* of 2nd April last, the speech made by the Hon. Mr. Mehta before the Legislative Council in Calcutta was reported as follows:—

"The only thing that enlivened the dull monotony of figures in these statements were deep curses at the vagaries of exchange when there was a deficit and sigh of relief on the elasticity of Indian Revenues when there was a surplus. When listening to the terse paragraph in which the Finance Minister expounded the currency problems and 16d., the rate of exchange, it was impossible not to wish that he had gone to furnish us with his views, as to

whether the measures for securing a stable exchange had cost the country anything, and what. Whether the deficits owing to exchange were not turned into overflowing surpluses by the difference having come indirectly from the pockets of the people. Whether it was not the indirect improverishment caused by the stoppage of the mints, which perhaps intensified the inability of the people to stand the strain of the present famine."

To all these questions, very inconclusive answers were given by the Finance Minister. He, however, in conclusion, said that whatever may be the effect of the 16*d.* rupee, and he did not admit that it was baneful, money had to be found and the budget had to be balanced. Whether it was statesmanship to tax the people in this indirect and unequal way, the reader should form his own conclusion. If those who advocated the closing of the mints and brought it about are honest in their belief that it is doing no harm, I should like to know why they do not raise still further the artificial value of the Rupee by making it worth not 1*s.* 4*d.*, but 1*s.* 6*d.*

No doubt yarn in China has risen, and from \$ 66 per bale of 20s yarn it has gone up to \$ 95 a bale, but that advantage, if it is an advantage, has also been shared by the Japanese Mills. It is also urged that as the value of the Rupee has been enhanced to 16*d.*, the employers of labour in India might very well reduce wages, and that one who was receiving Rs. 25 might very well be satisfied with Rs. 15 now. But I know for a fact that mill-hands are paid as much as ever, and if any agent was to tell his workman that as the rupee is enhanced

in value by the Government, he should take less, I am afraid there would be a strike at once.

As regards the poor cultivator he knows this, that if he sold £ 100 worth of produce, he would get now at 1s. 4d. Rs. 1,500 instead of about Rs. 2,100, which he would have obtained before the closing of the mints. In my last letter I quoted the opinion of the Chairman of the Chartered Bank in London, who thought that it was a very doubtful policy for the Government of India to buy silver coin at 10d. per Rupee and sell it at 1s. 4d. I will conclude this letter by quoting a London letter dated October 26th, and which has appeared in the *Times of India* of the 15th instant.

“ Commenting on the circumstance that by the irresistible force of events the very Government who declared Rupees to be “ redundant,” has been compelled to largely increase their circulation, a financial writer in a weekly journal remarks that to the city and specially to that part devoted to Eastern trade, the point of concern in this matter is, how far the increase in the silver circulation will imperil the continued parity of the new exchange standard of 1s. 4d. That the reduction in the gold sovereigns and the increase in silver rupees will tend towards weakening exchange must be obvious, for the discredited policy of melting down rupees in order to maintain the parity was logical enough, only failing because it ran counter to national sentiments and habits. Nevertheless the apprehensions entertained in some quarters are premature. What the ultimate fate of the India gold standard will be, nobody can yet say. It may, for all we know, become as nominal as in Austria,

Hungary, Italy, or Russia; but for the immediate future there need be no anxiety about the maintenance of 1s. 4d. The crops in India are good, rice will be enormous, and cotton will in addition fetch an especially high price. This will ensure a large offer of sterling in the Indian markets, and will make it most unlikely that during the next season the exchange will fall appreciably below 1s. 4d., but the trend of events is very interesting, and may in time lead to grave difficulties, in which experience will once again prove how rash, if not disastrous, it is to meddle with the monetary standard of the country.”

Yours, etc.,

JAMSETJI ARDASEER WADIA.

Bombay, 21st November 1900.

III

Correspondence, “The Bombay Gazette”

9th December, 1900.

JAPANESE MILL LABOUR.

Sir—A correspondent “N” in the *Times of India* has given the cost of mill daily labour in Japan. The highest is for the year 1899, which is given at 26·86 cents for male and 16·65 for female.

These figures have very little to do with the controversy. Japan being a small country compared to India, the labour is limited, and the high rates ruling at present is in my opinion owing to too many mills being built in

Japan in recent years, which have created a great demand for labour. However, I give Bombay mill daily wages. I find as follows :—

For the year 1899, male, ans. 9·06 ; female, ans. 6·40.

The comparison is as follows:—

Average daily wages of Japan and Bombay mill-hands for the year 1899—

Japan, male, ans. 6·71 ; female, ans. 4·16.

Bombay „ „ 9·06. „ „ 6·40.

I have included the wages of manager, foremen and clerks at the mill. If I exclude them and take the labourers only, the figures work out as follows:—Male, ans. 7·91 ; female ans. 5·30.—Yours etc.,

JAMSETJI ARDASEER WADIA.

Bombay 4th December 1900.

IV

Correspondece "The Bombay Gazette"

27th January, 1901.

THE CONGRESS AND COMMERCE.

Sir,—I have seen in the local papers a letter addressed to the President of the Lahore Congress by a Hindu gentleman from Amritsar. He says that Industry and Commerce are two things needed for the material growth of a nation, and which are always overlooked by the Congress. I have looked in vain for all intelligent discussion of these weighty matters in the prolific address

of the learned President, which is applauded on all hands. For instance, not one word has been said by him, or those who followed, on the momentous question which has affected in my opinion the well being of India. I here refer to the closing of the mints, which has in my opinion not only affected the manufacturers and planters, but has hit hard at the humble cultivator. He is now for every £ 100 worth of produce which he sells to Europe, asked to receive Rs. 1,500, because the exchange now is 1s. 4d. instead of Rs. 2,000 or 2,100 which he would have otherwise received if the mints were open. All these years no politician of note has cared to examine this important question, except the Hon. Mr. Mehta. It was he, and he only, who last year put a series of questions to the Finance Minister in the Supreme Legislative Council. He wanted to know whether the deficits owing to exchange were not turned into overflowing surpluses by the difference having come indirectly from the pockets of the people, and whether it was not the indirect impoverishment caused by the stoppage of the mints which perhaps intensified the inability of the people to stand the strain of the present famine. I, Sir, believe this question to be of the greatest importance, and it behoves our leaders to give this important matter their attention. Mere long-winded speeches containing nothing else but platitudes will hardly advance our cause. This question is very warmly discussed by the Financial papers in London. To quote only one financial paper which says: "What the ultimate fate of the India gold standard will be, nobody can yet say. It may, for all we know, become as nominal as in Austria, Hungary, Italy or Russia but for the immediate future there need be no

anxiety about the maintenance of 1s. 4d. The crops in India are good, rice will be enormous, and cotton will in addition fetch especially high price. This will ensure a large offer of sterling in the India Markets, and will make it most unlikely that during the next season the exchange will fall appreciably below 1s. 4d. ; but the trend of events is very interesting, and may in time lead to grave difficulties, in which experience will once again prove how rash, if not disastrous, it is to meddle with the monetary standard of the country.”—Yours etc.,

JAMSETJI ARDASEER WADIA.

Bombay, 21st January 1901.

V.

Correspondence, “The Bombay Gazette”

3rd February, 1901.

THE CONGRESS AND COMMERCE.

SIR,—I complained about the indifference or the ignorance of our Congress leaders for neglecting the industrial and commercial interests of the country. I have since noticed in one of the local papers that the Tea Planters’ Association have resolved to appeal to the Chancellor of the Exchequer to reduce the duty on tea, in order to save the industry from ruin. Now, Sir, in fixing the exchange at 1s. 4d. per rupee instead of 11½d., which is the true value of the coin, our own Government has handicapped the industry to the extent of about 30 per cent. An Indian planter, when he sells £100 worth

of tea, gets, at the rate of 1s. 4d., Rs. 1500 ; whilst the China planter gets about Rs. 2000, because his dollar is not arbitrarily raised in value. How can the Indian planter then compete with the China planter ? The same argument holds good as regards our manufacturers or our cultivators. A £100 worth of cotton or wheat will not give him Rs. 2,000 to which he is entitled at the rate of 11½d. per rupee, but Rs. 1,500 at the rate of 1s. 4d. Now I am told that by raising the value of the rupee to 1s. 4d., Government saves in its home charges; and what Government gains is also the gain of the country. It sounds well enough, but is it really so ? In order to gain on their remittance a few crores, they are handicapping the entire export trade of the country which amounts to about one hundred and five crores. In order to gain then on about twenty-five crores which they have to remit annually, our Government is inflicting a loss on our entire export trade which as I have said above, is about one hundred and five crores. But I am told that we save on our imports ; we pay so much less for every sovereign worth of goods that we buy from England or any other European country. No doubt that is so ; but is it the business of any Government to favour imports against exports ? In giving preference to imports, what do we do ? We give advantage to the labour and capital of foreign countries, and what is their advantage is our loss. But who are the purchasers of the imports which may be valued at about ninety crores ? The upper class, the middle class, the lower and upper-middle class. So their pockets are saved. Our impecunious ryot wants absolutely nothing of imports ; he does not want their piece-goods. He is too poor to

pay for any. He generally buys coarse country-made cloth. He does not want any woollens or any other luxuries. In fact, he wants practically nothing. Even his cooking-pots are earthen ones. He may be wanting a few nails for his hut ; but, as far as I am able to judge, very little of our imports are required by him. I am afraid I am making this letter too long, but I will quote from the *Capital*, dated the 3rd January :—

Under the heading, “The Exchange Burden and the Currency Commission,” it says :—

“It has been already implied that planters and producers, generally and in all probability, the Government itself, were unaware that the Currency Legislation was practically shifting on to the industries of India the burden of the sterling debt. But there were a few planters who recognized, dimly perhaps, that they would suffer, if the rupee were supplied by the Government, at an artificial level. What is the producers’ complaint? It is this

When silver stood at 60d. an ounce, we producers gave produce worth 1s. 11d. for a coined tola of silver, and were content, for this was its value ; when silver fell to 45d., we gave produce worth 1s. 5d. ; when in 1893, silver fell to 38d., we gave produce worth 1s. 2½d., but now with silver still lower at 30d., we are compelled to part with produce to the value of 1s. 4d. to buy a coined tola of silver, although the rest of the world can buy their coined tolas of silver at 11½d. We are, therefore, far worse off than when we paid 1s. 11d. for a coined tola at a time when everyone else was paying a similar price.”—Yours, &c.,

JAMSETJI ARDASEER WADIA.

29th January, 1901.

Correspondence, "The Bombay Gazette"

10th February, 1901.

THE CONGRESS AND COMMERCE.

SIR,—In my last letter to you, which appeared in your valued journal a few days ago, I endeavoured to show how the closing of the mints and the artificial value of the rupee have operated in favour of imports and to the detriment of exports. Mr. G. A. Gaiyther, the Chairman of the Chartered Bank of India, Australia and China, in a speech recently delivered to his shareholders, said as follows :—

“The Indian Currency problem I regard as still unsolved, although the desired steadiness in exchange has been fairly maintained much to the advantage of Manchester. The supply of rupees, in the absence of the internal demand for gold, has proved insufficient, and the authorities have been compelled to purchase nearly £4,000,000 worth of bar silver during the current year to increase the circulation. The profits of these operations will yield a surplus of £1,500,000. No doubt a *bonne bouch* for the Government, but whether such an adventitious addition to the reserve is desirable from an economic point of view is debatable.” Now, Sir, if, as stated, Manchester has benefited much in its imports of piece-goods and yarn to this country, the same advantage is conferred on all other imports, of whatever description, and I repeat that it is the business of no Government to

confer directly or indirectly any benefit on imports to the detriment of exports. As regards exports, I have said that the Currency Policy of the Government has handicapped our entire exports to the extent of about thirty per cent. What I am going to quote now may illustrate what I have said more clearly. On July 11th, 1893, a meeting, under the presidency of Sir George Cotton, was called of the mill-owners to discuss the state of the industry as affected by the closing of the mints by the Government of India. On that day, Hongkong exchange stood at Rs.191 for 100\$ and sterling exchange was at 1s. 2 $\frac{5}{8}$ d. Sir George Cotton said as follows :—

“ The decline in exchange from Rs. 221 to Rs. 191 is fourteen per cent, but as the closing of the mints is likely to keep the rupee in the neighbourhood of 1s. 4d. instead of 1s. 2 $\frac{5}{8}$ d., the rupee-price of *cotton*, coal and stores should be *nine per cent lower* under the former exchange than it would, were the latter rate ruling, so that we should gain nine per cent. in the cost of our cotton. Had Government not closed the mint and had exchange gone down, we will say, from 1s. 2 $\frac{5}{8}$ d. to 1s., we should have been in as bad a position, as our cotton would have cost us sixteen per cent. more.” Now, Sir, Sir George Cotton clearly says that if the mints were not closed, and if the exchange had gone down to 1s., which is about practically the present true value of the rupee, the manufacturers would have been obliged to pay in all twenty-five per cent. more for their cotton. It is therefore evident from Sir George Cotton’s statement, that we are getting cotton twenty-five per cent. cheaper owing to the closing of the mints than we would have if the mints were open. So it comes to this that whether

the cotton is brought by our local manufacturers or by European spinners, the cultivator suffers to that extent. You can easily understand the present difficulties of our ryot, when he is receiving less money for his produce than he has right to expect. One has only to glance over the reports of Guzerat Revenue Inquiry to see to what pitiable straits he is reduced. He was never rich but the closing of the mints has beggared him. The President of the Congress, recently held at Lahore, said on the authority of Lord Curzon and others if I remember rightly, that his annual income was not more than Rs. 17. Why, Sir, even the London pauper has cost the rate-payers £28 13s. 1 $\frac{1}{4}$ d. in 1899 per head. Before I conclude, I will quote the following from the *Capital*, January 10th, 1901:—‘ Let us ’ look at some facts in connection with the price of silver, and see if they bear out the general argument; do they show a tendency for the price to rise at all in proportion to the fall in the value of gold? Depressed by the Currency Legislation, silver fell to 23d. the ounce in 1898, it touched 28 $\frac{1}{4}$ d., and fell again; this year it rose above 30d., and this evident tendency to rise continues in spite of the fact that legislation in India remains hostile to silver and friendly to gold. Reverse these conditions; pass legislation friendly to silver and hostile to gold; at what price would silver then stand? Assuredly no lower than the coined *tola* stands now. Opening the mints therefore would in all probability cost Government nothing, while it would relieve the pressure on India’s many industrial concerns, and perchance save the life of the indigo industry which is now in danger of perishing in the struggle with the artificial manufacture. Is there

not one expert in the Government of India, not one in the India Council, to whom statements like these are obvious truisms? If peradventure one such might be found, the repeal of the Currency Legislation would quickly follow."—Yours etc.,

JAMSETJI ARDASEER WADIA.

Bombay, 5th February 1901.

VII

Correspondence, "The Bombay Gazette."

THE CONGRESS AND COMMERCE.]

Sir,—In my last letter to you I quoted the speech of the Chairman of the Chartered Bank of India, Australia and China. I only referred in my letter to the first portion of the speech, which was in reference to the apparent advantage enjoyed by Manchester. I will now refer to the second portion of his speech, in which he told his shareholders that the Indian Government derived large profits last year by the purchase of silver for the purposes of coinage. But he was of opinion that such an adventitious addition to the reserve from an economic point of view was debatable. Now Sir, it costs the Indian Government 11d. per rupee, while the same rupee is artificially enhanced in value to 1s. 4d. This is no doubt, on the face of it, a most doubtful method for raising the wind. Before the closing of the mints, the Indian mints coined annually about $9\frac{1}{2}$ crores of rupees.

If they coined annually about 9 crores, they will make a profit of about 3 crores a year. It was only the other day our Government closed the mints on the plea that rupees were redundant, and they did not want India to be a sink for the discarded metal. They even went further ; they wanted permission from the Home Government to melt rupees and sell them as bullion. That happily they were not allowed to do, and they are now coining rupees at high pressure. The Indian Government only declared the other day that there was not sufficient banking capital for the internal and external trade of the country. They therefore proposed to amalgamate all the Presidency Banks, and increase their capital, and now they are quietly diverting over three crores a year from the pockets of the people, which are not by any means full to their own treasury, by buying a rupee at 11*d.* and selling it at 16*d.* In other words, this money, which in the pockets of the people would be utilized by them for their trading necessities, will be locked up in the Government Treasury. I do not say that the money would be wasted or spent carelessly, but the country will have so much less cash for their commercial needs all the same. India wants silver currency, and I do not see why she should be prevented from getting it at its intrinsic value. In my previous letters, I had alluded to the loss inflicted upon the cultivator by being compelled to receive only Rs. 15 to the Sovereign for his produce, instead of Rs. 21, to which he is entitled. Now Sir, just examine his position as regards his land assessments which he pays to our Government, and which comes to about 27 crores a year. If a cultivator were paying Rs. 100 a year to Government before the

closing of the mints, what was he giving? He was giving 100 *tolas* of silver; it would represent not more than Rs. 70, if he gives to-day 100 *tolas* of silver, because he can buy one *tola* of silver to-day for about 11 annas. But owing to the artificial value of the rupee at present, if he is giving Rs. 100 for his assessment, which is fixed for a number of years, what does he give now? He gives, at the rate of 1s. 4d. per Rupee, a sum of money which will buy not 100 *tolas* but 133 *tolas* of silver, which the mints would turn into Rupees 133 for the Government. A cry has gone forth from the congress camp which met recently, that his assessment must be reduced by 25 per cent. I say he is morally entitled to this reduction, and he must get it. Now, Sir, examine for a moment the relation of labour and capital. When a planter can only get Rs. 15 per pound sterling instead of Rs. 21, he is paying his labourers the same wages in artificial rupees, which he did before in rupees of true value. The result is that he is actually paying his labourers about 30 per cent. more. Take the mill-labourer in Bombay. I am in a position to say that we are paying to-day as many rupees as we did ten years back. If a labourer got before Rs. 10, equal to 10 *tolas* of silver, he is getting to-day Rs. 10, which at 1s. 4d. would buy him $13\frac{1}{2}$ *tolas*. One would naturally think that at any rate the poor labourers are making money. They may have derived some benefit, but it is evident that ultimately what would harm his employer would harm him in the end, because he will be either reduced or discharged. It is said that after all this is an experiment. Now, Sir, what is an experiment? If an individual or a corporation makes an experiment, it might succeed or fail. But there is every inducement for our Government to

persevere in their experiment in the Currency Legislation, because the longer it is continued the better for them, because for all these years they would be paying for their sterling debt Rs. 15 to the Sovereign instead of Rs. 21. But for every rupee thus saved by the Government, the country pays, goodness knows, how many tiems over. Meanwhile the wealth-producing institutions of the country, *viz.*, Agriculture Plantation, Industry, and Manufacture are starved.—Yours etc.,

JAMSETJI ARDASEER WADIA,

Bombay, 12th February 1901.

VIII

Correspondence, "The Times of India."

THE GOLD STANDARD AND LAND ASSESSMENT.

SIR,—In the letter which appeared in your issue last Saturday, over the singature of Mr. Aderji Muncherji Dalal of Broach, the following passage occurs :—

“All experts and responsible Government Officers have told the Commission that prices were falling.”

Now, Sir, if prices were to fall and rise, according to the laws of supply and demand, no blame attaches to any one. But what is complained of is this, that by fixing the exchange artificially at 1s. 4*d.*, the prices of all produce have been lowered, and that this would happen was known. As early as 11th July 1893, Sir George Cotton assured the Mill-owners that the closing

of the mints and fixing the exchange at a high figure, viz., 1s. 4d., would cheapen cotton to the extent of 25 per cent. I quote the following passage from his speech:—"The decline in exchange from Rs. 221 to Rs. 191 is 14 per cent., but as the closing of the mints is likely to keep the rupee in the neighbourhood of 1s. 4d. instead of 1s. 2½d., the rupee-price of cotton, coal and stores should be 9 per cent. lower under the former exchange than it would, were the latter rate ruling, so that we should gain 9 per cent. in the cost of our cotton. Had Government not closed the mints, and had exchange gone down, we will say from 1s. 2½d. to 1s., we should have been in as bad a position, as our cotton would have cost us 16 per cent. more."

Small wonder then, if the ryot finds himself now more helpless than ever.—Yours, etc.,

JAMSETJI ARDASEER WADIA.

Bombay, 18th February 1901.

IX

Correspondence, "The Times of India."

LAND ASSESSMENT AND EXCHANGE.

Sir,—In the issue of the *Times of India* of the 16th instant, I have seen a letter from a Central Provinces, Malguzar with reference to pressure of assessment in the Central Provinces. There is another letter of Mr. Aderji Mancherji Dalal of Broach, regarding excessive land assessment in Gujarat. Without going into the question, whether the land assessments in India were heavy or not

before the closing of the mints, I contend that the Government has indirectly raised all land assessments by 30% by fixing the value of the rupee at 1s. 4d. instead of its true value which to-day is 11d. If the producer is receiving only Rs. 15 to the sovereign, instead of Rs. 21 to which he is entitled, he is told that practically he is losing nothing, because his Rs. 15 to-day will do duty for Rs. 21, as the rupee has been raised in value. If it is doing that duty for him, it ought to do the same duty for Government, and consequently, if he was paying before the closing of the mints Rs. 21 as assessment, he ought to pay now only Rs. 15. Yours, &c.

JAMSETJI ARDASEER WADIA.

Bombay, 20th February 1901.

X.

Correspondence, "The Bombay Gazette."

THE CONGRESS AND COMMERCE.

Sir,—In my last letter which appeared in your valued paper a few days ago, I endeavoured to show how the Currency Policy of the Government has indirectly raised all land assessments by 30 per cent. The producer is asked to receive Rs. 15 to the sovereign instead of Rs. 21 to which he is entitled if the mints were open; but he is told that as the rupee has been artificially raised in value to 1s. 4d., Rs. 15 would do duty for Rs. 21. If it is doing that duty for him, it ought to do the same duty for the Government, and if he was paying Rs. 21 for his assessment before the closing of the mints,

he ought not to be called upon to pay more than Rs. 15 now. The land assessment for the whole of India is about 27 crores, and, in common justice, if it gives up 30 per cent. of the assessment, it will have to forego about 8 crores. This would practically mean that the money saved by the Government on home remittances at the rate of Rs. 15 to the sovereign instead of Rs. 21 would soon disappear. It is a matter of common knowledge that our agriculturist has always been heavily involved in debt, and 85 per cent. of the population of India live by agriculture. A cultivator borrowed money, before the closing of the mints at 20 per cent. interest; how was he paying his interest then? He was giving 20 tolas of silver. If he gave 20 tolas of silver now, he could buy the same for 14 artificial rupees; but as his creditor would exact full payment in artificial rupees at 1s. 4d. instead of 11d. to the rupee, he is paying indirectly a much higher rate of interest now than before. Just examine his miserable condition during famine periods. His little all is in silver trinkets which were purchased at the rate of Re. 1 per tola. If, owing to distress, he parted with them now, he would find the ornaments difficult of sale, because there is no open mint to turn his silver into rupees for him, and the village Marwary would barely give him 10 annas a tola for what must have cost him Re. 1 and a little over. The people of India are often blamed for not being enterprising, and not devoting their time, money, and intelligence to the development of industries. Lord Dufferin, in the course of his famous St. Andrew's speech, speaking with reference to the poverty of the people said "What then, gentlemen, for such a state of things there are only

two remedies--the expansion of manufacturing industries, and emigration. But it is not in the power of the Government of itself to apply either of these remedies . . . ; the actual creation of manufacturing centres must be the work of private enterprise." His Lordship urged it as a charge against educated Indians that they were not doing anything in that direction, and he made the same complaint against them with regard to technical education, contending that they "alone can give energy and vitality to the movement." And how have efforts in this direction been rewarded by our Government? By closing the mints, they have converted a free-trading country like India into one where protection if not preached is practiced. Except England, all other civilized Governments of the world are protecting and fostering their industries; but what is the nature of protection which we enjoy in this country, after the closing of the mints? I find that China and Japan tea planters are protected against ours. They can sell their tea and get Rs. 21 to the sovereign. We alone must receive Rs. 15. The indigo manufacturers of Germany are protected against ours, and the manufacturers of China, Japan and Europe are protected against ours. An Indian manufacturer gets Rs. 150 for \$ 100 now against Rs. 225, and although China and Japan buy cotton in this country, and so far they are on a level with us as regards raw material, they save the loss in exchange on their working charges which are incurred and paid for locally. If an Indian manufacturer sells \$ 100 worth of yarn, he gets Rs. 150, and loses by exchange on his entire \$ 100; whilst if a Japan manufacturer sells yarn for \$ 100 he only remits \$ 75 to

India for the purchase of cotton ; so, while his loss by exchange is on \$ 75, ours is on \$ 100. The same favour is shown to the cotton planters and wheat growers of America against ours. Who ever heard of such a protection ?—Yours etc.,

JAMSETJI ARDASEER WADIA.

Bombay, March 1st 1901.

XI.

Correspondence "The Bombay Gazette."

INDIAN COMMERCE.

Sir,—In my last letter to you I endeavoured to show under what disadvantage the wealth-producing institutions of the country, *viz*, agriculture, plantation, and manufacture, are labouring owing to the artificial rupee, and how that has directly and indirectly given advantage to other countries which are our competitors in the markets of the world. Although our manufacturers are at a disadvantage, I think that sooner or later they will recover ground. No doubt, before they do that, they will have to spend more money, which I am afraid most of them have not got. They will have to withdraw, more or less, from the Eastern markets—a consummation not to be desired either in the interest of India or of Lancashire. India can produce coarse manufactures with advantage to itself and to its customers, and the same argument holds good for Lancashire in fine counts. It is the essence of free trade that labour and capital of each country should be so employed as to give the

highest possible results to the producer as well as to the consumer ; that is being gradually destroyed by the artificial rupee. I will now illustrate, in order to make my meaning more clear. The average shipment of yarn to China annually is about 475,000 bales ; at least that is the average from 1896 to 1899. For 1900 the shipments fell off to about 215,000 bales, for reasons which are already well known. I only want to draw your attention to the fact that we produced only half the quantity of yarn. From Mr. O'Connor's report, which gives us statistics up to the end of November 1900, I gather the following facts:—In the whole of British India, the production of yarn, from the 1st of April to the 30th of November 1900, was 197,853,415 lbs. For the same period for 1899 the production was 367,901,221, lbs.; so practically, the whole of India, last year, produced only half the quantity. Now, just examine a few facts as disclosed by the same report : from counts 21 to 30, for the same period, *viz.*, from 1st of April to the 30th of November 1900, the production is given at 36,191,098 lbs. For 1899, at lbs. 38,003,234. What is the inference? Although we produced 50 per cent. less, still there is no falling-off as regards fine counts. Now, examine further figures. For the same period the total production of counts 31 to 40 in 1900 was 6,976,137 lbs. against 4,755,814 lbs. in 1899. That is to say, we produced more in 1900 than in 1899 of these fine counts, although our total production, as stated above, was only half. As our natural market in coarse counts is being destroyed by the artificial rupee, the Indian manufacturers are trying to destroy the natural markets for fine counts which Lancashire can spin with great advantage. Both

are to be pitied for the same. The general opinion is that there is no cotton in India for spinning fine counts, say, up to 40s. No doubt, it is partially true, but 1,000 bales of American or Egyptian cotton would easily manipulate 10,000 bales of good stapled Indian cotton, and that is now actually being done. If Lancashire, instead of harassing the Indian manufacturers, knew her true interest, she would through her Members of Parliament, exercise efficient control over Indian finances and bring about the opening of the mints at once, because it is impossible that any civilized Government--and ours is one--could prosper if the wealth-producing institutions of the country are penalized, which, I say, is being done by compelling the producer, the planter, and the manufacturer to receive Rs. 15 to the sovereign when he is entitled to Rs. 21.--Yours, etc,

JAMSETJI ARDASEER WADIA.

Bombay, 6th March 1901.

XII.

"The Bombay Gazette."

THE COMMERCE OF INDIA.

Sir,—In my last letter I gave a few figures from Mr. O'Connor's report, showing how the Indian manufacturer who has been deprived, owing to the Currency legislation, of his markets in China for coarse counts, has been trying to supply the Home demand which exists for finer cloth and yarn, and which must replace to some extent what Lancashire produces and imports.

The total imports of cloth and yarn are about rupees thirty crores a year, and in years to come, we would be compelled to deprive Lancashire of a bulk of this trade. It is said that in spite of the closing of the mints, the Indian manufacturers made large profits in the years 1895 and 1896. This is correct. But I find on reference that the rate of exchange was Rs. 190. for \$ 100 in 1895. In 1896 it fell to Rs. 180. In 1897 it was Rs. 156, and to-day it is a little under Rs 150. The manufacturers have been losing money since the beginning of 1897, and the above figures distinctly prove that exchange has been the main cause. There has been over-production, and stocks in China accumulated to the extent of 200,000 bales. This stock was reduced to 30,000 bales at the end of last year without affecting the price. If there is over-production, it is easy to curtail it, but how can we expect the Chinese to buy largely, when they are obliged to pay from \$ 70 a bale of No. 20s. yarn to \$100 a bale, as the exchange has fallen from Rs. 225 to Rs. 150 for \$100. Peace in China will no doubt improve matters to some extent, but our main chance lies in cultivating Indian markets, and in this matter the manufacturers of Ahmedabad have taken the lead. One of the greatest advantages claimed for the gold standard was cheap money for the development of the country, but this has not been brought about, and the commercial men of India have from time to time protested against the action of the Government who artificially cause scarcity of money. A few lines from the speech of the Hon. Mr. S. M. Moses, delivered on the 6th instant at the annual meeting of the Chamber of Commerce, will show how things stand:—

“ I will, however, take this opportunity of bringing to the notice of the new Committee a subject which I consider, is of the utmost importance to Bombay, and in fact to all India. I am sure, as business-men, they could not have failed to notice that now, before we are well in our busy export season, the trade is strangled by the dearness of money—a state of affairs which we experience year by year without any amelioration whatever. You will naturally ask—who is responsible for this ? I am constrained to say that it is in no small degree due to the action of the Government. Once again we have witnessed the spectacle of Government pursuing their questionable policy of withdrawing large sums of money from circulation at the time when it was most wanted.”

It is abundantly clear that the whole currency legislation and policy of the Government have been initiated with one object, *viz.*, to facilitate their remittances to England. If they desired a gold standard for the benefit of the country, as they say they did, they ought to have, from the very commencement, adjusted the assessment due by the ryot. The cultivator is asked to receive for his produce Rs. 15 to the sovereign instead of Rs. 21 to which he is entitled, with an open mint. If what is due to him is to be curtailed by 30 per cent., surely what is due from him ought to be treated in the same way. If the Government had done that at the time of closing the mints and had reduced the assessment by 30 per cent. which would come to about rupees eight crores a year, then at any rate, although without agreeing with their methods, I would have at least said that they are logically following their policy to its end. They have up to now not done so, and thereby have taken

from the pockets of the ryots in assessment alone from rupees forty-five to fifty crores more than they are entitled to, according to my view, since the closing of the mints.—Yours, etc.

JAMSETJI ARDASEER WADIA.

Bombay, 3rd March 1901.

XIII.

The "Times of India."

THE INDIAN BUDGET.

Sir,—I am surprised at the chorus of approval with which the last Indian Budget is greeted. Officials and non-officials have been congratulating one another in India and England on the recuperative power of the country. India has done a great wonder. Although stricken with plague and the severest famine ever known during the last hundred years, we have got a surplus. India, one of the poorest countries under the sun, has performed this miracle. After spending about Rs. 63,300,000 on famine relief and remission of land revenue to the extent of Rs. 75,00,000, we have a surplus. In the words of the Finance Minister, "we have been able to meet the extraordinary demands on our resources due to famine and plague, and that we are able to-day to present a budget showing, notwithstanding the

simultaneous serious depression in three such important industries, as cotton, tea and indigo, a distinct and satisfactory increase of revenue obtained without increase of taxation is in itself the strongest evidence of that recuperative power. But I think that close examination of certain material facts will afford further proof that our belief in this recuperative power is not an idle assumption." I will take the Finance Minister at his word, and will examine the accounts a little more closely. I say that this surplus is obtained by increasing the taxation all round by 30 per cent. if not more, and it is an error, if not a deception to say that this surplus is obtained without increase of taxation. Take the two chief items : Land assessment and salt revenue. The first is about Rs. 27 crores and the latter about Rs. 9 crores; making a total of Rs. 36 crores a year, which with an open mint and at the true value of the rupee—which is $11\frac{1}{2}d$ —would be equal to £17,250,000, but which owing to the false value of the rupee at 1s. 4d. is equal to £24,000,000, a rise of about 40 per cent. Can anything in arithmetic be more simple than these two figures ? Take the matter a little further to show the glaring injustice and absurdity of the whole system. If the Government can call the $11\frac{1}{2}d$. rupee a 16d. one, they can show a bigger surplus if they raise the rupee to 1s. 8d., and this is the way the precious surpluses are obtained annually. Can anything be more arbitrary ? Can anything be more unjust ? Who, then, pays for all this ? The wealth-earning institutions of the country, viz., agriculture, plantation, and industry. The taxpayers are bled, the tax-eaters are enriched. The masses are too ignorant to see their ruin, and their leaders are

not much enlightened in finance. They are trotting out the woes of the poor ryot, only to give a dig at the Government. They are not of much real help to the rulers or the ruled.—Yours &c.,

JAMSETJI ARDASEER WADIA,
Esplanade Road, Bell Lane, Fort,
Bombay, 4th April, 1901.

XIV.

The "Manchester Guardian."

THE COMMERCE OF INDIA.

SIR,—Your sustained interest in the welfare of India encourages me to write this letter. We have had now fair experience of the effects of the closing of the mints to free coinage, and so far as I am able to judge, the results are deplorable. The intrinsic value of the rupee to-day is about 11½d., and the artificial value is 1s. 4d., and the Government is making enormous profit by coining rupees. Last year they coined over Rs. 17 crores. It was only the other day our Government declared the rupee to be redundant, so much so that they wanted to melt the rupees and sell them as bullion; this they were not allowed to do by the Home Government. That from an economic point of view this profit is undesirable, is evident. However to the trade, what does it mean? It means this, that a

cultivator or a planter gets only Rs. 15 for his one sovereign worth of produce, instead of Rs. 21 to which he is entitled, if the mints were open. He is, however, told that if he receives less for his produce, he pays also less for his imports. No doubt that is so. Our exports are about Rs. 105 crores, and our imports are about 70 crores a year. No doubt there is not much difference between the two items, but unfortunately when the poor ryot gets less for his sovereign worth of produce, he does not save money by buying imports, for which no doubt he would be paying Rs. 15 to the sovereign instead of Rs. 21. I need not tell you that he hardly requires any of your imports. He does not want your piece-goods, nor woollens, nor drinks, nor articles of luxury. In fact, beyond a little iron, he absolutely wants nothing. He is too poor to buy anything. His clothes are made of coarse country-cloth and his cooking-pots are earthen ones. So you will easily see how this artificial currency affects him. We are told that as the rupee has an artificial value of 1s. 4d., instead of $11\frac{1}{2}$ d., consequently Rs. 15 to-day will do duty for Rs. 21. No doubt that is so ; but here again just see how the cultivator is treated. He is paying to-day the same land assessment which he did before the closing of the mints in 1893. If his Rs. 15 are doing duty for Rs. 21 owing to the artificial rise, surely it does the same duty for the Government, and if he was paying Rs. 21 as assessment, he ought to pay Rs. 15 now. You can easily see how he must have fared for the last seven years. Officials and non-officials express great surprise at his total collapse during the last famine. Rich as England is, you legislate so that your farmers would receive 20 per

cent. less money for their produce, and see how you would fare. The poor ryot has been subjected to this treatment for seven years, and yet people are surprised at his utter helplessness. His assessment and all other fixed charges, such as interest on loans, etc. have remained the same, whilst for his produce he receives Rs. 15 to the sovereign at 1s. 4d. per rupee, instead of Rs. 21 at 11½d. which is the intrinsic value of the coin. There is no such thing as free trade in India now. A Chinese tea planter is protected as it were against ours. The Chinaman can get for his tea Rs. 21 to the sovereign; our planter only must receive Rs. 15. The same holds good for the cultivator as well as for our manufacturer. We now find that we cannot compete against the manufacturers of China and Japan. It is true that they buy cotton in Bombay, and so far we are on a level; but they save loss by exchange on their working charges. If India and Japan sell yarn in China for \$100, India gets Rs. 150 instead of Rs. 225, which was the rate before the closing of the mints, whilst Japan gets 100 yens, as a dollar is equal to a yen. As she has got to buy cotton in Bombay out of 100 yens, she sends to this country 75 yens; the remaining 25 yens are kept by her in Japan because this sum represents her working charges, made up of coal, stores, interest, wages and profit which are all incurred locally. So, I say, she saves loss by exchange of 25 yens out of every 100 yens. The essence of free trade is that each country should apply its capital and labour in such a way as to give the highest possible results to the producer as well as to the consumer. India can and does produce coarse yarn and cloth, as Lancashire can produce fine yarn and cloth. Our

natural markets for coarse counts are being destroyed by our Government through their currency legislation. We are, to our great sorrow and regret, trying to destroy the markets which Lancashire has for their fine production. I will just give you a few figures for your information. I take them from Mr. O'Connor's report. He gives the following figures:—

In the whole of the British India the production of yarn from the 1st of April to the 30th of November 1900 was 197,853,415 lbs. For the same period for 1899 the production was 367,901,221 lbs. So practically the whole of India produced half the quantity. Now just examine a few facts as disclosed by the same-report. From counts 21 to 30 for the same period, *viz.*, from the 1st of April to the 30th November 1900, the production is given at 36,191,098 lbs. ; for 1899, lbs. 38,003,234. What is the inference ? Although we produced 50 per cent. less, there was no falling off as regards fine counts. Now examine further figures. For the same period the total production of counts 31 to 40 in 1900 was 6,976,137 lbs., against 4,755,814 lbs., in 1899. The general opinion is that there is no cotton in India which can produce counts above 24. This is partially true. But if 1,000 bales of Americans or Egyptians were mixed with 10,000 bales of good stapled Indian cotton, we can spin up to 50s. and that is actually being done now. Our imports of piece-goods and yarn come to about rupees 30 crores a year, and if the mints are allowed to remain closed, before five years are out, half the Lancashire trade with India will disappear. What is the loss of Lancashire and India is the gain of China and Japan.

One of the greatest blessings which was promised by the gold standard, which India does not want, was cheap money from England for the development of the country. Ever since the closing of the mints, money has been abnormally tight, at one time 24 per cent. being paid on loans against Government paper. How the money market is manipulated may be gathered from the following speech delivered by the Hon. Mr. S. M. Moses, at the annual meeting of the Bombay Chamber of Commerce which was held on the 6th instant;— “I will however take this opportunity of bringing to the notice of the new committee a subject which I consider is of the utmost importance to Bombay, and in fact to all India. I am sure as business men, they could not have failed to notice that now, before we are well in our busy export season, the trade is strangled by the dearth of money—a state of affairs which we experience year by year, without any amelioration whatever. You will naturally ask, who is responsible for this? I am constrained to say that it is in no small degree due to the action of Government. Once again we have witnessed the spectacle of Government pursuing their questionable policy of withdrawing large sums of money from circulation at a time when it was most wanted. For I notice that between the end of December and the end of January last, the Government cash balances have increased by close upon four crores of rupees. This you will admit, gentlemen, is a large sum to take out of circulation, when produce comes freely to the market, and the demands for accommodation to move the crops increase in intensity daily. What are we to say as to the wisdom of such proceedings?”

No doubt the artificial rupee enables our Government to pay off its annual sterling obligations at the rate of Rs. 15 to the sovereign instead of Rs. 21. But for every rupee saved by the Government, Heaven knows how many times over the country loses. In the meantime all the wealth-earning institutions of India, *viz.*, agriculture, plantation, industry and manufacture are going bankrupt.

JAMSETJI ARDASEER WADIA.

Esplanade Road, Bell Lane, Fort.

Bombay, 22nd March 1901.

XV.

THE INDIAN CURRENCY AND ITS EFFECTS.

To The Editor "Manchester Guardian."

SIR,

I am surprised at the chorus of approval with which the last Indian Budget is greeted. Officials and non-officials have been congratulating one another in India and England on the recuperative power of the country. India has done a great wonder. Although stricken with plague and the severest famine ever known during the last hundred years, we have got a surplus. India, one of the poorest countries under the sun, has performed this miracle. After spending about Rs. 63,300,000 on famine relief, and remission of land revenue to the extent of Rs. 75,00,000, we have a surplus. In the words of the Finance Minister, "we have been able to meet the extraordinary demands on our resources due to famine and plague; and that we are able to-day to present a Budget showing notwithstanding the simultaneous serious

depression in three such important industries as cotton, tea, and indigo, a distinct and satisfactory increase of revenue, obtained without increase of taxation, is in itself the strongest evidence of the recuperative power. But I think that close examination of certain material facts will afford further proof that our belief in this recuperative power is not "an idle assumption," I will take the Finance Minister at his word, and will examine the accounts a little more closely. I say that the surplus is obtained by increasing the taxation all round by 30 per cent, if not more, and it is an error, if not a deception, to say that this surplus is obtained without increase of taxation. Take the two chief items—land assessment and salt revenue. The first is about Rs. 27 crores and the latter about Rs. 9 crores, making a total of Rs. 36 crores a year, which, with an open Mint and at the true value of the rupee—which is $11\frac{1}{2}$ d.—would be equal to £17,250,000, but which owing to the false value of the rupee at 1s. 4d. is equal to £24,000,000, a rise of about 40 per cent. Can anything in arithmetic be more simple than these two figures? Take the matter a little further to show the glaring injustice and absurdity of the whole system. If the Government can call an $11\frac{1}{2}$ d. rupee a 16d. one, they can show a bigger surplus if they raise the rupee to 1s. 8d., and this is the way the previous surpluses have been obtained annually. Can anything be more arbitrary? Can anything be more unjust? Who then pays for all this? The wealth-earning institutions of the country—viz, agriculture, plantation, and industry. The taxpayers are bled; the tax eaters are enriched. The masses are too ignorant to see their ruin, and their leaders are not much enlightened in finance. They are

trotting out the woes of the poor ryot, only to give a dig at the Government. They are not of much real help to the rulers or the ruled.

Under the heading "The Condition of Trade" the Finance Minister says as follows :—"Taking all the figures of both export and import together, the total value of trade is only 1 per cent less than for 1898-99, and considerably in excess of the preceding years tabulated. Considering the numerous disadvantages under which the export trade has been labouring since the commencement of famine, I think that, on the whole, these figures indicate commercial strength and a generally satisfactory situation." Now, sir, it seems to me that the above paragraph is likely to mislead the public. No doubt it is very useful to know the extent of our import and export trade, but what is of vital importance to the country at large is the knowledge that our export trade is a paying one. Take a few items for 1899 to 1900. We exported tea worth about Rs. 9 crores, indigo about Rs. 2·69 crores, yarn about Rs. 6·90 crores, say in all about Rs. 18½ crores of the above. I should like to know how much of this trade has brought any money to the planter or the manufacturer. Very little; and why? Because we have been compelled to part with the above at Rs. 15 per sovereign, although with an open Mint we should have got more than Rs. 2; and yet the Finance Minister puts all the blame for a losing export trade on famine only. The famine has come and gone, but the currency legislation, like the plague, will remain with us. We are told that there has been over-production. I admit that. That could be remedied in six months' time, but how to get over the loss inflicted

by a 1s. 4d. rupee? His Excellency the Viceroy, in winding up the debate on the Budget, intimated that since 1880 the condition of the ryot has improved. His annual income in that year was reckoned at Rs. 18 per annum. In the year 1900 it is computed at Rs. 20. Assuming this figure to be correct, I know of no part in India where one can clothe and feed himself without semi-starvation on that sum. Why, sir, our criminals cost cent per cent. more to the Government to feed only.

Yours etc.,

JAMSETJI ARDASEER WADIA.

Bombay, 10th April 1901.

XVI.

To the "Manchester Guardian."

THE COMMERCE OF INDIA.

Sir,—In my last letter I endeavoured to show how the Finance Minister has obtained a surplus in spite of heavy expenditure on plague and famine. Instead of taking from the tax-payers $11\frac{1}{2}$ d. per rupee, he has taken 1s. 4d.; so there can not be any wonder if there is a balance on the credit side.

You are aware that the Indian Government coined for British India only about Rs. 17 crores last year, on which they made a profit of about Rs. 5 crores. It is said that this profit being an unnatural one, our Government have wisely resolved to set it aside to be invested in consols. This sounds well enough, but what does it mean to the country? It means this, that the people

have so much less money for their daily wants, and, as we have not much capital to spare, the country must feel the pinch. But if this profit is to be set aside why should not the profit on the entire revenue of the country be treated in the same manner? I see no difference between the rupee which has come out of the mint, giving a profit to the Government of about 30 per cent., and the rupee which has come out of the pockets of the tax-payer. The profit in both cases is derived by putting a false value on the coin.

The Government have loudly proclaimed that they have obtained a surplus without any increase of taxation. But if you take from the tax-payer 1s. 4d. instead of $11\frac{1}{2}$ d., how can it lie in the mouth of the Finance Minister to say that he is not taking more money out of the pockets of the tax-payers?

I will assume the price of cotton to be 4d. per lb. to-day in Liverpool. Now, if a ryot has to pay one rupee to the Exchequer, with an open mint and the rupee at $11\frac{1}{2}$ d., he would have to give less than 3 lbs. of cotton. But with rupee at 1s. 4d. he will require 4 lbs. of cotton; so it is evident that with the artificial rupee he has got to part with extra produce; and yet it is said that he is paying no more in taxes. No doubt the currency legislation has cheapened imports. But is there any civilized country in the world which favours imports at the expense of exports which are the products of the country?

For the year 1899-1900 the import trade is given at Rs. 70 crores, exclusive of treasure and Government stores. Our export trade is given at Rs. 108 crores for

the same year, on the basis of the artificial rupee, *viz.*, 1s. 4d. The same figures, on the basis of the true value of the cion, *viz.*, 11½d. would, if worked out, amount to about Rs. 97 crores for imports, and about Rs. 150 crores for exports. What is the conclusion? We would have paid with an open mint about Rs. 27 crores more for our imports, which would have come out of the pockets of the well-to-do Europeans and Natives, as they are the chief consumers of imports, while the producers would have got about Rs. 42 crores more for their exports which would have remained in their pockets. But the producer loses over and above Rs. 42 crores. I will endeavour to show what that figure is.

On the authority of His Excellency Lord Curzon, the entire annual produce of the country is valued at Rs. 450 crores. Deduct Rs. 108 crores of produce exported; the balance is Rs. 342 crores worth of produce. 85 per cent. of the population of India live by agriculture and they consume about Rs. 290 crores worth of produce, so the remaining 15 per cent., who are non-agriculturists, consume the balance, *viz.*, Rs. 52 crores. But on the same high authority, *viz.* that of his Excellency the Viceroy, the annual income of the ryot is given at Rs. 20, whilst that of the non-agriculturists is given at Rs. 30 per annum; consequently the 15 per cent of population, instead of consuming Rs. 52 crores worth of produce, consume fifty per cent. more, as their purchasing power is greater to that extent. Therefore, I distribute the consumption of Rs. 342 crores worth of produce as follows:—Produce consumed by the agriculturists, Rs. 264 crores; produce consumed by the non-agriculturists, 78 crores. I main-

tain that the producers lose on the latter amount which they are obliged to sell on the basis of 1s. 4d. to the rupee, which loss comes to about Rs. 24 crores. The entire loss to the producer as far as I can make out comes to about Rs. 66 crores a year. Against this loss to the country there is an ostensible saving to the Government on home charges, which saving may be computed at about Rs. 10 crores.

Our attention has been drawn in the Budget statement to the development of mills and factories since 1895. The paragraph in the Budget statement runs as follows:—

“I may cite a few examples of industrial development. In 1895 there were 350 cotton factories, including spinning and weaving mills, and there were 586 such factories in 1899. The number of engineering workshops and foundries, including railway workshop rose from 72 in 1895 to 82 in 1899, and jute mills and presses from 62 to 82. Rice mills numbered 63 in 1895 as against 14 in 1899, and sugar factories 9 in 1895 as against 14 in 1899.” Our friends in England will be gratified at our progress as indicated by our Finance Minister. Let me, however, inform them that, since 1895 the market value of our capital, sunk in most of the above concerns, shows to-day a shrinkage of above 50 per cent.

The net loss to the producer as mentioned above comes to about Rs. 66 crors. Deduct about 10 crores saved in home charges. This balance of loss per year in my opinion comes to Rs. 56 crores. But this is not all. I cannot with any degree of accuracy fix the loss

sustained by the country owing to arrestation of development in the wealth-producing institutions of the country, consequent upon the currency legislation—Yours, &c,

JAMSETJI ARDASEER WADIA.

14th May 1901.

XVII.

To The "*Bombay Gazette*"

THE COMMERCE OF INDIA.

Sir,—I have seen Mr. H. H. Lord's letter in *Capital*, but I am afraid he has not understood my letters very clearly. I never said that every nation should encourage exports over imports. What I did say was that no civilized nation favours imports at the expense of exports, which I maintain our Currency policy is doing. I will make myself more clear.

Suppose, Mr. Lord buys a foreign article, the price of which laid down in India is one sovereign. I want him to pay in rupees at the true value of the coin, *viz.*, 11d. to the rupee. This would require about Rs. 21 instead of Rs. 15 which he is now paying. The saving is caused by the false value of the rupee. What is his gain is the producer's loss, because if he exports one sovereign worth of produce, he is compelled to receive Rs. 15 only, instead of Rs. 21, to which he is entitled with an open Mint. Mr. Lord also does not see how the entire taxes are raised by about 35 per cent., which I say is the case.

If the Government is buying the rupee at 11d., and selling it at 1s. 4d., surely on every rupee a profit of 5d. is made, and if the entire revenue is Rs. 100 crores, the gain at 5d. per rupee is about £ 20, 833,333, and all this profit is obtained at the expense of the producer. If Mr. Lord has any doubt in his mind, I trust the following extract from a letter of the Lord Commissioners of the Treasury to the Secretary of State for India in Council, dated the 24th November 1879, may dispel it:—

“The Government of India propose that the free coinage of silver shall be restricted so that the rupee shall no longer remain, as at present, simply a piece of silver of a given weight and fineness, but shall in addition to these qualities bear a fixed relative value to the English sovereign. The proposal appears open to those objections to a token currency which have long been recognised by all civilized nations *viz.*, that instead of being automatic, it must be managed by the Government, and that any such management not only fails to keep a token currency at par, but exposes the Government which undertakes it to very serious difficulties and temptations. It appears, too, that the Government of India, in making the present proposal, lay themselves open to the same criticisms as are made upon governments which have depreciated their currencies. In general, the object of such governments has been to diminish the amount they have to pay to their creditors. In the present case, the object of the Indian Government appears to be to increase the amounts they have to receive from their tax-payers. My Lords fail to see any real difference in the character of the two transactions.

“ If the present level of exchange be due to the depreciation of silver, the Government scheme, if it succeeds, may relieve the Indian Government and others who desire to remit money to England, but this relief will be given at the expense of the Indian tax-payer, and with the effect of increasing every debt or fixed payment in India including debts due by ryots to money-lenders.”

The following extract, from a letter from the Indian Government to the Secretary of State 1886, needs no comment from me :—

“ Whilst impressing upon the Secretary of State the very serious inconveniences suffered by the financial department of the Government and by the Anglo-Indian official community owing to the fall in the gold price of the rupee, the Government of India freely admitted that so far from this fall having proved injurious to the people of India, the Indian cultivator appeared to have actually gained.”

The Government has legislated in a panic, no doubt with the best of intentions, but seven years of trial have sufficiently proved how fatal the artificial rupee has been to the vital interests of the wealth-producing institutions of the country.—Yours &c.,

JAMSETJI ARDASEER WADIA.

Bombay, 11th July, 1901.

XVIII.

To The "Bombay Gazette"

THE COMMERCE OF INDIA.

SIR—I have read Mr. H. H. Lord's last letter with attention. It is in reply to mine, and all that I can say about it is that it has amazed me beyond measure. I must therefore take your readers through his entire letter to show his fallacies.

Mr. Lord says that the late Mr. Gladstone favoured imports by removing almost all import duties. But Mr. Lord should remember that this is quite different from what our Government has done. Our Government is *artificially* cheapening imports by putting a *false* value on the rupee. It is also *artificially* compelling the producer to receive Rs. 15 to a sovereign worth of produce exported, although with an open mint he would have got about Rs. 21. Further it has *debased* the standard coin of the realm by putting a false value on the rupee. Did Mr. Gladstone artificially cheapen imports? Did he artificially penalize exports? Did he debase the sovereign, the standard coin of his country? He did nothing of the kind. Mr. Gladstone, instead of levying import duties for the purposes of revenue on about eight hundred different articles of import, some of which did not give even £1000 per annum, took the simple course of taxing heavily such articles as tea and tobacco which are largely consumed. The average price of tea last year was about 9d. per lb. The duty payable on it was 4d. per lb.

Mr. Lord says: " But if the producer is willing to undergo any loss for me, why should I grumble? It is in his power to increase the price of his article. If he does not care to do so, it is his business." What an absurdity! In the first place he is not willing to undergo any loss. He is simply compelled. As for increasing the price of his produce for export, he dare not do it. The Indian producer cannot fix the prices which are regulated by the prices his rival producers in other parts of the world are accepting. The price of American cotton (Mid-Uplands) is about $4\frac{1}{2}d.$ per lb. in Liverpool to-day. That of Indian cotton (Broach) is $4\frac{1}{4}d.$ per lb. Can the Indian producer demand of his foreign buyer $5\frac{1}{4}d.$ per lb., because his Government has tinkered with the currency? The loss inflicted on him by his Government will not be paid by any foreign consumer. He would get some benefit if he was a consumer of imports, of which he needs little and is too poor to buy any.

Mr. Lord says: " It has been established that the fall of $1d.$ in the exchange value of the rupee means a loss to the Government of India of Rs. 1,10,00,000 annually, and if we calculate the loss from $2s.$ to $11d.$ which Mr. Wadia gives as the present value of the rupee, the total loss annually to the Government is equal to Rs. 14,30,00,000. This loss has been going on for many years." Is that a fact? I will take Mr. Lord over the finances of the country some years previous to the closing of the mints in 1893.

In twenty years ending 31st March, 1893, when exchange stood at $1s. 2\frac{5}{8}d.$, the aggregate surpluses and the aggregate deficits showed a net deficit of about

Rs. 2·40 crores in all, or, say, about 12 lakhs a year. This is Mr. J. R. O'Connor's evidence before the Currency Commission of 1898, which Mr. Lord will find duly printed on page 57 of the report. Compare the loss of 12 lakhs a year in spite of famines and wars to Mr. Lord's, who gives the loss out of his imagination at 14 crores a year.

It is said that if the Government had not arbitrarily fixed the value of the rupee at 1s. 4d., the rupee would have gone down to $11\frac{1}{2}d.$ with open mints, which would mean a loss to India of about ten crores on Home Charges, and for which extra taxation would have been necessary. Assuming this to be correct, is it right to inflict a loss on the producer on export alone, leaving aside the loss on some of the internal trade of the country of about 40 crores? On the basis of 16d. to the rupee we got 104 crores for our exports last year. On the true basis of the coin, *viz.* $11\frac{1}{2}d.$, the producers would have obtained 146 crores.

Let us examine the state of the finances after the closing of the mints with a view to consider what would have been the extra taxation required to meet the loss on Home Charges with an open mint and the rupee at $11\frac{1}{2}d.$ I must say in passing that the rupee would never have fallen so low but for the closing of the mints. When the mints were closed in 1893, exchange stood at 1s. 2 $\frac{5}{8}d.$ In 1894-95 it fell to 1s. 1·10d. We balanced our Budget at this low rate. So the extra number of rupees which we would have required to meet the loss on Home Charges would be the difference in the rates of exchange between $11\frac{1}{2}d.$ and 1s. 1·10d.; because at the latter rate of exchange, as stated above we were

able to balance our Budget. The extra loss on remitting seventeen million pounds sterling would have come to Rs. 4·33 crores, which could have been raised easily by increasing import duties or by levying a small tax, say, about $2\frac{1}{2}$ per cent., on all exports, and the producers would have cheerfully submitted to this small tax, because indirectly they are made to pay about 35 per cent.

With reference to the enormous profits on coinage Mr. Lord says that it goes to the Indian Revenue. Mr. Lord does not see much below the surface. The Government coined about 17 crores of rupees last year for British India and made a profit of about 5 crores, which sum no doubt is set apart. But what is the difference between the rupee which has come out of the mint giving a profit of about 30 per cent. and the 100 crores which the tax-payers pay annually and the profit on which comes to about £18,750,000 at the rate of $4\frac{1}{2}d$, to the rupee? Does this sum go to the revenue account?

In my previous letter, I have attempted to show that if the ryot has got to pay one rupee to the exchequer, he must sell his produce. I further assumed the price of produce, say, for instance, that of cotton, to be $4d$. a lb. in Liverpool. With an open mint and the rupee at $11\frac{1}{2}d$. the producer would have got a rupee by selling less than 3 lbs. of cotton. But what is his position now? With the rupee enhanced to $16d$. he must give 4 lbs. of cotton to get a rupee. In other words, he must part with more produce.

In conclusion, Mr. Lord says that the burden of proof lies on me when I say that the recent legislation

has been fatal to the vital interests of the wealth-producing institutions of the country. The proof lies before his eyes. On every sovereign worth of produce exported, the producer, instead of getting Rs. 21, gets only Rs. 15. If he or anybody else is unable to see that, I cannot help it. Moreover, has he not heard of the increased woes of the ryot? And are they solely to be attributed to famines! Has he not heard of the loud complaints of the planter and the manufacturer? Are they losing money owing to over-production only? No doubt, the out-put of tea has enormously increased, and it has been going on for years under the stimulus of low exchange. But if the planter can profitably produce tea cheap, what crime does he commit? I do not see much force in the cry of over-production, because people must remember that China and Japan are exporting to-day as much tea, if not more, than what is produced by us; and as long as China and Japan, whose teas are much inferior to ours, are not driven out of the markets of the world now supplied by them, I do not think that the charge of over-production should be laid at the doors of the planters. The same argument applies to our cotton spinners for China.

It is further alleged that the producers are making profit by a falling rupee by robbing labour. That is to say, instead of paying as at present, 16*d.* to the rupee, they would be paying only 11½*d.* Now sir, it is in evidence, official evidence, that the purchasing power of the rupee in India itself has not varied, although the rupee in 1895 fell to about 13*d.* So it is absolutely no benefit

to the labourer to have the artificial rupee at 16*d*. I believe that it is a positive harm to him, because what ruins his master will ultimately ruin him. I will, however, give the effect of the enhanced rupee on capital and labour.

A spinning mill of 40,000 spindles was projected in 1895. It commenced work in 1897 with the 16 penny rupee in full swing, and I will give you the results for full four years ending with 31st December 1900:—

Amount paid in wages during the four	
years 	Rs. 4,38,000
Total loss incurred 	, 1,35,000
Remuneration to the Agents ...	, 58,000

Nothing is allowed for depreciation and, of course, there was no dividend for the unfortunate shareholders. No more mills have been projected in Bombay since 1897, and mill shares which stood at 30 per cent. premium before are now about 50 per cent. discount. If fixity of exchange was the only motive, why not fix the rupee at 11½*d*., as Japan has done? But I am afraid that under the guise of fixity of exchange and a gold currency which is not yet in evidence, there is a lurking idea of purchasing the sovereign on the cheap, that is, at the rate of Rs. 15 instead of Rs. 21. If Government were to decree to-morrow that exchange is fixed at 11½*d*. to the rupee, Mr. Lord's admiration for the heroic legislation of 1893 would ooze out at his fingers' ends.—Yours, etc.

JAMSETJI ARDASEER WADIA.

Bombay, 6th August 1901.

XIX.

*The "Times of India."***THE INDIAN BUDGET IN PARLIAMENT.**

I have read your sober article in your Saturday's issue on the Indian Budget with pleasure. It is some relief to see that you have not gone in raptures over the paradoxical statements of the Secretary of State for India, who declared on the 16th of August in the House of Commons that the material loss to the country owing to famine was £50,000,000, and that after spending £150,00,000, on famine out of the revenue and without increase in taxation, and excluding profit on coinage there was a surplus of £2,774,623.

To put it roundly, but for the famine we would have had a surplus of £2,770,000 + £15,000,000, or a total of £17,770,000, and that too without extra taxation and in times of unexampled distress. To me the whole thing is an absurdity. There has been an extra taxation, and a very crushing one, which the above figures sufficiently prove. The poor tax-payers have been made to pay 16*d.* to the rupee instead of 11*d.*, and this accounts for the enormous sum I have shown above. Reduced to artificial rupees it comes to a little over Rs. 27 crores or Rs. 38 crores, according to their intrinsic value. Where did they come from ?

What distresses me most is that our rulers do know that the taxes have been enormously increased by the artificial rupee, and yet they maintain quite the contrary.

Sir A. P. Macdonell, G. C. S. I., Lieutenant-Governor of the North-West Provinces, in answer to a question by the currency Committee of 1898, said as follows:—"Yes, of course, I am aware that the effect of the closure of the Mints might possibly tend to increase taxation because although the number of coins paid in is the same, nevertheless the coin might represent more commodities. But this effect is produced unconsciously; the people are conscious of no additional burden."

What Sir A. P. Macdonell means is this, that if an article of export is selling in Europe, say, at 4*d.* per lb., with an open Mint and the Rupee at 11*d.*, the producer would have to give less than 3 lbs. of that commodity to get one Rupee. But with the artificial rupee enhanced to 16*d.* the producer must give 4 lbs. of the same commodity to get one Rupee. By any tinkering with the currency you can-not reduce our country's burdens as regards Home Charges. You may take the rupee to 2*s.* if you like, but our burdens will remain the same. Then why adopt a policy which aggravates the evil tenfold?

I will just quote Sir R. Giffen, K. C. B. who in his evidence in 1898, said as follows:—"As far as the community of India is concerned, the gold to be paid in London is the same thing whatever their money is. Is the position of India, or of any standard country different in any way from that of a gold standard country as regards the gold debt which it has to pay? We see that the Government is embarrassed a little, but is the gold debt really a greater burden to them in consequence of the change in the value of money in relation to sterling than is the gold debt of a country like Australia for instance."

Sir E. Vincent, I believe a banker, during the debate expressed an opinion that the influence of low exchange upon exports is largely transient and momentary. That is not at least the opinion of leaders of commerce like Mr. S. A. Ralli or Sir F. Adam, C. I. E. It is impossible for me to lengthen this letter, and in reply to Sir E. Vincent I will content myself with quoting briefly the Government of India's despatch of 1886 to the Secretary of State:—"Whilst impressing upon the Secretary of State the very serious inconveniences suffered by the financial department of the Government and by the Anglo-Indian official community, owing to the fall in gold price of the rupee, the Government of India freely admitted that so far from this fall having proved injurious to the people of India, the Indian cultivator appeared to have actually gained."

In 1897, and after the closing of the Mints, our Government distinctly warned the Secretary of State that it would be of no advantage to India, nay, that it would positively do harm, to have the rupee fixed at a higher figure than 1s. 4d. Perhaps it is not known to many of your readers that in June, 1898, even the Manchester Chamber of Commerce passed the following resolution:—"That it is neither possible nor expedient to establish a gold standard with a gold currency in India under the peculiar external financial relations and economic circumstances of the dependency, and that, in the opinion of the Chamber, it would be well in the interest of India to adopt the principle that Mints should be re-opened to the coinage of silver, the time and conditions to be hereafter determined."

Our railway receipts are also increasing, because we are paying 16*d.* to the rupee instead of 11*d.* for freight, &c. Our standard coin has been raised artificially with such wonderful results to the Government. If 16*d.* to the rupee has done such wonders, why not startle the world still more by raising the rupee to 20*d.*?

Lord George Hamilton has kindly invited the civilized world to test the accuracy of his statements as regards the flourishing state of Indian finances by applying recognised methods of tests universally accepted and applied to England and all civilized nations, *e.g.* powers of consumption and production of the community, the in-take of taxation, the proceeds of dutiable articles, &c. I look upon this invitation as a dismal joke on the part of his Lordship. How can we compare England, carrying on her vast commerce under an honest standard, and poor India, struggling to maintain her position in the commercial world under a debased standard? The comparison would be futile and absurd. No country deserves to be considered civilized which has a dishonest standard. I am afraid that under the guise of fixity of exchange and a gold currency, which is not yet in evidence and not wanted by the country, there lurks the pleasing fact of getting a sovereign on the cheap, *i.e.*, at the rate of Rs. 15 instead of Rs. 21. If Government were to decree tomorrow that exchange is fixed at 11½*d.* to the rupee, as Japan has done, some people's admiration for the heroic legislation of 1893 would ooze out at their fingers' ends.

Yours &c.,

JAMSETJI ARDASEER WADIA.

INDIAN YARN ON THE YANGTSE.

To,

The Editor "Times of India."

SIR,—I have read your remarks in your Saturday's issue regarding the Yarn trade of India and Japan with Hankow. You write as follows :—

"In seven years the total trade with Hankow has advanced from 194,958 cwts. to 474,641 cwts., but at the end of the septenary the Indian imports have increased only two thousand cwts.. whilst those from Japan have multiplied more than twelve-hundred fold."

Your kind advice to the Bombay Spinners to reduce waste in the Mills and to put their finances in order are very much appreciated, as there is room for improvement. But I am afraid that will not bring us on a level with our rivals in Japan. The difference lies here, that whilst the Bombay Spinner is paying 16*d.* to the rupee in wages, his rival is paying 11½*d.*, and nothing on earth will remove the serious disadvantage under which India labours owing to the artificial currency. One may talk about famine and over-productions which are contributory causes of our misfortunes, but to my mind the artificial rupee is really at the bottom of all the mischief.

JAMSETJI ARDASEER WADIA.

Bombay, 13th August 1901.

XXI.

THE REMISSION OF TAXATION.

To the Editor of the "Times of India."

SIR,—I have seen a lot of correspondence of late in your valued journal regarding the abolition of the income tax with a view to commemorate the ensuing coronation of our King Emperor, Edward VII. Of all taxes this tax is one which ought to be remitted last, but this much might safely be said, that all incomes under Rs. 2,000 per annum ought not to be taxed. In England, I believe, all incomes above £ 150 per annum only are taxed ; so we have good grounds for the change indicated above. I am, however, strongly of opinion that some relief ought to be given to the unfortunate ryot and other poorer classes. I wish for no boon, but I think at this juncture our enlightened Government should give back to them what they have been arbitrarily and indirectly taking from them ever since 1893.

I will just make my meaning clear by a few figures. The annual land assessment comes to about Rs. 27 crores, and the salt tax is estimated at about Rs. 9 crores a year. With an open mint and the rupee at 11*d.* the ryot would have paid in assessment £12,375,000 ; with the closed mint he pays at 16*d.* to the rupee, £18,000,000, or about 30 per cent. more. In the salt tax he would have paid £4,125,000. He is made to pay £6,000,000, or about 30 per cent. more. I think the ryot is entitled to this relief in bare justice, and I am sure, Mr. Editor, you will not consider my request as unreasonable.

If this relief is denied him, then let me suggest another. Why not place the entire country, as regards taxes, in the position in which it stood at the time of the closing of the mints? Exchange then stood at 1s. 2½d. per rupee. Take the entire taxation of the country at Rs. 100 crores, which at 1s. 2½d. comes to £60,937,090, but which at 16d. to the rupee comes to £66,666,000 thus showing a rise of about 10 per cent. Remit that, and also give up import duties all round, which comes to about Rs. 4 crores a year, and which were imposed to provide against a falling rupee. The simplest way of effecting the change for the remission of taxation would be to lower the artificial value of the rupee from 1s. 4d. to 1s. 2½d., a figure at which the rupee stood on its intrinsic merit in 1893. This method would serve a double purpose, the one of remission of taxation and the other of giving relief to producers all round who would be enabled to command greater number of rupees for their produce. In 1894-95, when the average price of the rupee stood at about 13d., we had a surplus. So at 1s. 2½d. there need not be any fear of a deficit.

JAMSETJI ARDASEER WADIA.

Bombay, 26th November 1901.

XXII

**ENHANCED DUTY ON TEA AND THE
ARTIFICIAL RUPEE.**

To the Editor of "Indian Daily News."

SIR,—I see from the telegrams in the local papers that the tea planters on your side are very much agitated at the proposals of Sir R. Giffin, K.C.B., for

further raising duty on tea in the United Kingdom by two or three pence per pound. Our local industry in Bombay has been in a bad way for the last five years, so we can readily sympathise with the misfortunes of the producers in other parts of India. But the tea planters and all producers miss the cardinal point in the situation. The raising of duty on tea in England would be of very little consequence, because, after all, it would be the consumers who will pay ; but what hits hard at the planters is this, that the artificial currency has already put them at a disadvantage compared to the tea planters of China and Japan to the extent of about 33 per cent. When an Indian planter sells one sovereign worth of tea, he gets Rs. 15 and no more, whilst his rivals get about Rs. 22 ; and unless the producers all over India, be they planters, manufacturers or agriculturists, are thoroughly alive to this fact, their discussions and protests are likely to run into wrong channels. The ignorance in India on this question is profound, and since the closing of the mints in 1893 no President of the National Congress ever alluded to this subject in his address, except Mr. D. E. Wacha, who presided at the Calcutta Congress so recently, and he, too, fell far short of my expectations. If he possessed the same degree of knowledge on the subject as Sir R. Giffin, K. C. B. Mr. S. A. Ralli, Sir Frank Forbes Adam, C.I.E., and Mr. David Yule, he would have come out pretty strong in his address, because this question is at the root of all the evils so constantly complained of. Take land assessment, about which the Congress has been complaining for the last 17 years. Why, Sir, at one

stroke of the pen Government raised it by about 33 per cent. since 1893 by putting a false value on the coin. Then take the question of the poverty of the ryot. When he gets Rs. 15 for his sovereign's worth of produce instead of Rs. 22, is he likely to get rich? Take the planters and the manufacturers. How have they fared since the rupee was put up to 16*d.*? We all talk of relieving pressure on land by diverting some labour from the field to manufactures, plantations, and industry; and yet those who are already engaged in them are at their wits' end to make both ends meet. Where are the people and the capital to come from for further extension, which is thought to be desirable? If nothing strikes the imagination of the educated classes of India, this fact ought to have had some influence, *viz.*, that the Government of India, after estimating material losses to the country owing to the last two famines at about 75 crores, after spending 25 crores in feeding and helping the people, still boasts of growing surpluses. Where did they get them from? By indirectly raising all taxes, by putting a false value on the coin. No other Government in the world could have performed the miracle in times of dire distress which our Government has done. If there be any doubt in the mind of your readers as to this extra taxation, let me remove it. The Government of India on their own showing made a profit of about 5 crores by coining about 17 crores last year. If they made this profit on 17 crores, they must profit in the same proportion on the 110 crores which they receive from the tax-payers annually, there being no difference between the rupee which has come out of the mint and

which has admittedly given them so much profit and the rupee which has come out of the pocket of the tax-payers. To the oft-repeated question as to how the Government was to balance its budget with the rupee at 11*d.*, all that I have to say is this, that in 1894-95, with the rupee at 13*d.*, we had a surplus, so with an open mint and the rupee at 11*d.* we would have required about 6 crores more per annum. In direct taxation now we are paying something like 35 crores. I compute the entire loss at about 60 crores a year to producers, and I cannot estimate with any degree of accuracy the loss inflicted on the country by the arrestation of its economic development. If fixity of exchange, gold standard, and gold currency are of such paramount importance as our rulers seem to think, I think that object would have been gained by fixing the rupee at 11½*d.*, as Japan has done with her currency. In conclusion, I cannot resist the temptation of quoting from the "Statist" of the 5th November, 1892:—"If the purchasing power of the rupee were raised by 20 per cent., the land tax would be raised to the same extent. All the other taxes payable to the Government would likewise be raised. So would all debts due at the time the change was made ; in other words, every banker and capitalist, as well as every usurer, would find his property, so far as it has been lent out to others, increased 20 per cent. while every debtor throughout the length and breadth of India would also find his debt augmented by about 20 per cent. Of course, likewise, official salaries would be enhanced in the same way. The result, therefore, would be that the Government, the official classes, bankers, landlords,

and usurers would all receive 20 per cent. more of the property of the vast population of India. There would be a sweeping transfer of property from the producing working millions, who create the wealth and make the prosperity of the Empire, to the servants of those millions and to the parasites who prey upon them.”—

Yours, &c.

JAMSETJI ARDASEER WADIA,

Bombay, 28th January, 1902.

XXIII.

THE POVERTY OF INDIA.

To The Editor of the “Times of India.”

Sir,—I have enjoyed the hospitality of your columns so often that I venture to hope that you will find me a little room once more in your valuable journal. Your article in your issue of the 24th instant on the recent debate in the House of Commons, has gratified me immensely, but what has especially arrested my attention is the following lines :—

“ Lord George Hamilton is too fond of jingling his surpluses in the face of a population who in their own daily lives are more conversant with deficits than with surpluses. It is not by any means such a preposterous thing as he conceives it to be, that serious and wide-spread poverty should synchronise with the seeming prosperity of the State finances. That this can be permanent no one would pretend, for in the long run the State itself must share to the full in the distress of its subjects.”

Sir, these are words which ought to be written in gold. Our large surpluses are the direct cause of our increasing misery, because I hold that these surpluses are obtained through the medium of a false currency. If a tax-payer is made to pay 16d. to the rupee when it is worth only 11d., I say that he pays on every rupee an extra tax of 5d. Suppose a few cultivators have got to pay Rs. 1,000 in Government dues. At the true value of the coin they will give about £46., at the artificial value of the coin they will have to give £66. In one case they will sell a certain quantity of produce to realize £46, but now with the rupee artificially raised to 16d. they must sell a larger quantity of produce to realize £66. However, the Secretary of State and our Finance Minister have emphatically denied that the surpluses have been obtained owing to indirect taxation. I, on the other hand, maintain quite the contrary, and I further maintain that in spite of official denials, authorities in England and in India are fully aware of this indirect taxation, and the following quotations from a letter of the Lords Commissioners of the Treasury to the Secretary of State for India in Council, dated 24th November, 1879, are my grounds for thinking so.

“ It appears too that the Government of India in making the present proposal lay themselves open to the same criticisms as are made upon Governments which have depreciated their currencies. In general, the object of such Governments has been to diminish the amount they have to pay to their creditors. In the present case the object of the Indian Government appears to be to increase the amount they have to receive

from their tax-payers. The Government's scheme may relieve the Indian Government and others who desire to remit money to England, but this relief will be given at the expense of the Indian tax-payer."

In my opinion we are giving Rs. 35 crores more annually in taxes. No doubt, with an open mint and the rupee at 11*d.*, we would have required more rupees for Home Charges. In 1894-95, and with the rupee at 13*d.*, we had a surplus ; so with the rupee at 11*d.*, we would require about Rs. 5 crores more towards Home Charges. The country is now paying annually Rs. 35 crores more, to say nothing of the ruin wrought on the ryot, the planter, and the manufacturer. Another myth which one often hears is that the artificial rupee saves India a considerable sum of money in payment of Home Charges. If a banker or a merchant has to remit £17 millions sterling to England, he must either send sovereigns for that amount, or ship produce which would realise the above amount. India must discharge her gold debt by sending a quantity of produce which would realise in foreign lands £17 millions, and any tinkering with the currency will not save her a brass farthing. You may fix the rupee at 11*d.* or 3 shillings or whatever else you like, the buyer in Europe will pay £17 millions to India when she ships produce which in the markets of Europe is worth £17 millions. The Indian Government insisted in 1893 on closing the mints on the ground of bankruptcy. It also further alleged that it was impossible to get more taxes from the people as the limit was reached. And now the Government of India and the Secretary of State declare from the house-tops that India is flourishing and the

treasury is overflowing, in spite of heavy expenditure reckoned at £15 millions sterling owing to famines. If India has performed such wonders during famine years, what may she not be expected to do during normal years? And if all that has been said about her recuperative power be true, may I ask where was the necessity of talking about her bankruptcy, and closing the mints? If India can prosper under a debased currency, surely she will not fare worse with an honest currency.

JAMSETJI ARDASEER WADIA.

Bombay, 26th February 1902.

1

(*Leader, "Indian Spectator" 28th April, 1901.*)

THE INDIAN BUDGET.

Last week our London correspondent drew attention to a most valuable and highly interesting exposition of the effect of the closing of the Mints in India, contained in a letter from a Bombay citizen, which appeared in the *Manchester Guardian* of the 3rd instant. Elsewhere we reproduce the able letter of Mr. J. A. Wadia in our to-day's issue, which we are sure, will repay perusal. There is no doubt that the currency policy of our Government is beginning to bear fruit. It is impossible for our Government to have a false measure and to say that it is doing no harm. The value of the rupee has been raised from $11\frac{1}{2}d.$ to $16d.$ The result of this is that our Government and all Europeans who have got

to remit money are able to do so at the rate of Rs. 15 to the sovereign instead of Rs. 21, and if they are enamoured of this legislation there need not be any surprise. The Government coined for British India last year about 17 crores of rupees, and made a profit by this doubtful transaction of 5 crores. It is said that this profit, being an unnatural one, our Government has wisely resolved to set it aside as a reserve to be invested in consols. This sounds well enough, but what does it mean to the country? It means this, that the people have so much less money for their daily wants, and, as we have not much spare capital, the country must feel the drain. But if this profit is to be set aside, why should not the profit on the entire revenue of the country be treated likewise? What is the difference between the rupee which has come out of the mint and has given the Government a profit of 40 per cent., and the rupee which has come out of the pocket of the ryot as assessment? The difference is *nil*. The profit in both cases is derived by putting a false value on the coin. It is said that the Government has been able to balance the budget without any increase of taxation. But if you take from a tax-payer 16*d.* per rupee instead of 11½*d.*, how can it be said that you are not taking more money out of his pocket? If a ryot has to pay one rupee to the Exchequer with an open mint and a rupee at 11½*d.*, he would have to give less than 3 lbs. of cotton, assuming the price of cotton to be 4*d.* per lb., but with the rupee at 16*d.* he will require 4 lbs. of cotton; so it is evident that with the artificial rupee he has got to part with extra produce, and yet it is said that he is paying no more in taxes. No doubt

imports are cheapened, but is there any civilized country in the world which favours imports which are the labour and capital of foreign countries, at the expense of the exports which are the products of the capital and labour of our own country? The Finance Minister has drawn our attention to the volume of trade which has fallen by about 1 per cent. only, and that too owing to famine. No doubt, it is very interesting to know the extent of our trade, but it is very important for us to know if our export trade is paying to the producers. For the year 1899-1900 we exported tea, indigo and yarn to the extent of about 18 crores, most of which has been a dead loss to the producers. In fact the 1s. 4d. rupee has played havoc with the entire export trade. Another thing to which our attention has been drawn in the Budget is the increase of factories, workshops and foundries since 1895. The paragraph in the Budget statement runs as follows: "I may cite a few examples of industrial development. In the year 1895 there were 350 cotton factories, including spinning and weaving mills, and there were 586 such factories in 1899. The number of engineering workshops and foundries, including railway workshops, rose from 72 in 1895 to 82 in 1899, and jute mills and presses from 62 to 82. Rice mills numbered 63 in 1895 as against 84 in 1899 and sugar factories 9 in 1895 as against 14 in 1899." People in India, and especially our friends in England, will be gratified at our progress as indicated by our Finance Minister. Let us, however, inform them that since 1895 the market value of our capital, sunk in all the above concerns, shows to-day a shrinkage of about 50 per cent. The import trade for 1899-1900 is given

at 70 crores. Our export trade, including re-exports, is given at 108 crores on the basis of the artificial rupee, namely 1s 4d. The same figures on the basis of the true value of the coin, say $11\frac{1}{2}d.$, would work out to be about Rs. 97 crores for imports, and 150 crores for exports. What is the conclusion? On the true value of the coin we would have paid about 97 crores for our imports and would have received about 150 crores for our exports. We would have paid about 27 crores more if the mints were open for our imports, a sum which would have come out of the pockets of the well-to-do Europeans or Natives, as they are the chief consumers of imports, whilst the producers would have got 42 crores more for their exports, which would have remained in their pockets. We conclude this note by quoting from the speech delivered by Mr. David Reid, who presided at the general meeting of the shareholders of the National Bank of India, held in London on the 2nd instant:—"On the controversial subject of the currency I shall not enter; but it seems to me the Government has been endeavouring to thrust on the vast population of India a gold currency, which is of little or no use to them, and at the same time have curtailed the supply of silver currency, which the people do want frequently, to such an extent as seriously to inconvenience and hamper trade."

II

(*Leader, "Indian Spectator" 5th May, 1901.*)

BOMBAY MILLOWNERS' ASSOCIATION.

From the speeches delivered last Friday at the annual meeting of the Association, we are extremely

glad to see that some of the most prominent members of the Association have awakened, though late in the day, to the seriousness of the situation, and some of them have expressed their opinions in no uncertain language. The Bombay Mills have been languishing since 1897, and their burden of accumulated woes reached its climax last year. What with unprecedented accumulations of stock in China, high prices of cotton, and low rates of yarn, together with the Boxer movement in the Far East, the state of the industry was pitiable in the extreme. But all their woes pale before the discovery some of them have made, although after seven years of sleep, that the currency legislation of 1893 is at the bottom of all the mischief, as it gives a bonus of about 8 dollars a bale to the manufacturers of China and Japan. We must, however, say that there is want of agreement on this important subject. Mr. J. R. Greaves is of opinion that our rivals have no advantages over us, and that the Mills in China and Japan are practically on level terms as to cost of production with the Bombay Mills, Mr. Sassoon J. David, who is not only a mill-owner, but also a prominent merchant who has large dealings with China and Japan, holds a contrary opinion. He says : " But to my mind there is over and above all these, one indirect cause which has been primarily instrumental in bringing about the present serious depression, *viz.*, the result of the so called success of the currency legislation of 1893. It is my firm belief that even if the direct causes were absent, or could be removed, this legislation in itself would have acted, and unless it be removed will continue to act in a manner most adverse to the industry. At the time when the Herschell Com-

mittee recommended the closing of the mints, we were told that the export trade of India, with silver-using countries would suffer. As a matter of fact I believe that the export trade of India, including that with the gold-using countries, is suffering to the enormous extent of at least 35 per cent. as an indirect tax consequent upon the legislation."

We have quoted Mr. David extensively as we believe that his pronouncement is a very important one. We take the liberty of reminding the mill-owners that Sir George Cotton distinctly told them on the 11th of July 1893, that if the mints were not closed, the cotton market would go up. He said: "Had exchange gone down, we will say from 1s. 2⁵/₈d. to one shilling, we should have been in as bad a position, as our cotton would have cost us 16 per cent more.' The mill-owners ought to have protested against this loss inflicted on the poor producers who are their best customers. Instead of doing that, they evidently derived no small satisfaction at the idea that they were to get cotton cheap, as it would be artificially depressed by the currency legislation, and now they find that what ruins the ryot also ruins them. We, however, think that Mr. David has done a distinct service to the industry in particular and the country in general by drawing the attention of the public to the serious consequences resulting from the artificial rupee. We are also of opinion that our mills are handicapped in their competition with their rivals. For 100\$ worth of yarn sold by Bombay and Japan in China, Bombay gets about Rs. 150 instead of Rs. 225 whilst Japan gets 100 yens, a dollar being equal to one yen. In

fact, to speak correctly, she gets more because 100\$ are equal to 104 yens. So as far as Japan is concerned, she before got one yen for a dollar, and she is practically getting the same now, whilst we, instead of getting Rs. 2-4 per dollar, only get Rs. 1-8. But it is said that Japan buys her cotton in Bombay, and no doubt on that there is a loss by exchange. So if she realizes 100 yens in China by the sale of her yarn, and if she sends 75 yens to Bombay for cotton on which she loses by exchange, she saves loss on 25 yens which she keeps back in her country and which represents all her working charges, including profit. So to our mind there is no doubt in the matter, but if Mr. Greaves is of a different opinion we must say that his opinion is entitled to considerable weight. It is a matter of regret that Mr. Greaves did not explain why he differs from the majority, and, as the matter is a very serious one, it is absolutely necessary that there should be complete unanimity amongst all the prominent members of the Association. Mr. Wacha is of opinion that sooner or later China will awake from her long sleep, and when she commences to have her factories, she will swallow up Bombay and Japan. That is, however, not the question. We cannot prevent other countries from developing their resources, but what is most essential for us to guard against is this, that nothing is done by our Government to penalize the trade and manufacture of India. Those who say that the Government will never re-open the mints take too much for granted, because no civilized Government can afford to allow the producers and manufacturers to go to the wall. But, above all, there must be unanimity on the question, which un-

fortunately there is not, and there must be systematic effort, which is wanting, before any Government can be induced to alter its course. As things stand at present, our Government is firmly convinced as to the wisdom of its policy. It is for the native commercial classes to convince our rulers as to the injurious effects of their policy on the country at large, and we must confess that, beyond what Mr. Sassoon J. David said at the Mill-owners' meeting, we never heard in public an emphatic expression of opinion as to the evil wrought by the policy of 1893, and in the absence of such weighty opinions, if the Government think as they do, that they are pursuing a policy in the interest of the country, they ought not to be blamed.

III.

(*Leader, "Indian Spectator" 19th May 1901.*)

THE TRADE OF INDIA FOR THE YEAR 1900-01.

We have before us the figures for the entire trade of India for the last official year, which comes to a little over 180 crores, but of this amount we have about $76\frac{1}{4}$ crores for imports alone, which shows an excess of about $5\frac{1}{2}$ crores compared to that of the previous year. Looking at this increase alone, one would think that India was progressing and prospering, and in any other civilised country one would be justified in making a deduction of that kind. One would, however, naturally ask, how was it possible for India, whose purchasing

power ought to have been very much restricted owing to such dire calamities as famine and plague, to have spent $5\frac{1}{2}$ crores more in imports? We are aware of the terrible loss of life, to say nothing of the terrible loss of cattle. We are also familiar with the fact that the Government had to spend $8\frac{1}{2}$ crores in feeding the people and in helping them in other ways, to say nothing of $5\frac{1}{2}$ crores lent by Government to Native States, and for special agricultural advances; and yet, as stated above, our purchasing power has evidently increased. We will, however, remove all doubts from the minds of our readers. One writer has made it abundantly clear that the ryot hardly requires any import worth the name, and if anything goes to prove this thesis, the very excess in imports puts it beyond doubt that the ryot is not very much interested in imports; and if our Government have cheapened imports owing to their currency policy, he does not benefit. If the ryot had more money for his produce to which he is entitled, he would have kept himself alive, because it has been proved that during the great scarcity there was grain enough to feed the hungry mouths if there was cash forthcoming. The imports of grain and pulse in 1899-1900 came to about $72\frac{1}{2}$ lakhs, and last year they came to about 96 lakhs, which goes to prove that even in famine years India is able to feed itself.

Now let us turn to the export items in which the producer is largely interested. There was a time when people drew favourable inferences if the aggregate amount of exports bulked largely in their view. That notion is an exploded one now. The most important thing to which attention is drawn is the fact whether

exports are paying or not. The export trade for the last official year was about 104 crores. How little paying it must have been may be shown from the following figures. Last year we exported yarn and cloth valued at about 10 crores, coffee about $1\frac{1}{4}$ crores, tea about $9\frac{1}{2}$ crores, and indigo about 2.13 crores; altogether all these items of export come to about 23 crores; and we have no hesitation in saying that all these items of export brought very little money to the producers. If the balance-sheets which are available of all the companies interested in the production of tea, yarn, indigo and coffee were consulted, the majority will show not only no dividends for their shareholders but a balance on the wrong side, whilst the share value has fallen to the extent of more than 50 per cent. within the last few years. The trade in indigo has suffered enormously. It is, as it were, between the devil and the deep sea. It is being crushed out of existence by the German artificial product on the one hand and the artificial rupee on the other hand. Some six years ago the value of our indigo exports was over $5\frac{1}{4}$ crores. Last year it was a little over 2 crores. The poor ryot, like the unfortunate shareholders in the above companies, has no printed balance sheet, which might tell his tale of woe as regards cotton or other produce. His land assessment and other burdens remain the same under the artificial rupee. Railway companies have not lowered tariffs to enable him to take his produce from the fields to the sea-ports cheaper nor have the steamship companies cheapened their freight. In fact they threatened to increase it by 10 per cent. as coal was dear. The ryot alone is therefore, not to receive for his produce what is due.

to him. On every sovereign he must lose about $5\frac{1}{2}$ rupees.

How long this state of things will last we do not know. Sooner or later it must be ended or mended, but as long as it lasts the prospects are very gloomy for the country. The Government must not be blamed altogether for this state of things. They have embarked on the artificial rupee scheme after an exhaustive enquiry based mainly on theories, and no doubt we have a right to examine their policy in the light of facts proved beyond all doubt to our mind by the logic of events. It must not, however, be forgotten by those who are impatient that the Indian mills discovered after six years, that the currency policy gives a bonus, as it were, to their rivals in the Far East of about 8 dollars a bale, and on which, as we said before, they are not unanimous.

IV.

(*Leader "Indian Spectator" 16th June 1901*).

LORD GEORGE HAMILTON AND OUR COTTON MILLS.

The Mayor of Kensington, Sir H. Seymour King, K. C. I. E., M. P., on Wednesday, the 22nd May, entertained at dinner a large number of Anglo-Indians resident in Kensington, to meet Lord George Hamilton M. P., the Secretary of State for India. We will not here allude to the several interesting speeches delivered by eminent gentlemen connected with India at one time or another at such interesting functions. The speeches delivered are more or less of a complimentary character

in which the civilian and the soldier prominently figure, whilst the poor ryot is given superabundance of praise for his patience under sore trials, which carry away his kith and kin by millions. We propose to deal in this article only with one portion of the speech of the Secretary of State, which deals with the cotton industry, in which Bombay in particular and India in general are largely interested. His Lordship, in alluding to the imposition of a $3\frac{1}{2}$ per cent. duty on cotton goods, either English or Indian, said: "If Parliament once allowed any great portion of the Empire over which it had control to set up a differential duty in favour of the industrial interests in that country and against Great Britain, they would have set up in the Empire an industrial warfare which might have gone on developing until it might have tended to imperial disruption."

In one of our previous articles we expressed our decided opinion that the question of the cotton duties was of little importance compared to the question of the mints and the artificial rupee, and we firmly adhere to that opinion. But what is it that the Indian mills complain of with reference to this duty? They are not at all unwilling to pay this excise duty on all kinds of cloth which come in competition with goods manufacture in England, but what they complain of is this; that they are the manufacturers of coarse goods, which are not produced in Lancashire and which in no way compete against products of the Lancashire looms. The Indian mills have repeatedly proved their contention by facts and figures up to the hilt, and, in spite of that, it is a sore point with them that their representations have been disregarded. The Mill-owners' Association have

been only recently told that they must look upon the excise duty as a fixture for all times.

Lord George Hamilton is very nervous about what he calls Imperial disruption. May we ask whether the disruption has taken place in the cases of the other portions of British Empire, viz., Australia and Canada where heavy protective duties have been imposed against all goods, including those of Great Britain? The fact is, India is poor and helpless and does not possess the command of votes which Lancashire has. We do not blame our English rulers in India because they did their best to do India justice, but they found themselves helpless. If, however, Lord George Hamilton is so anxious to avoid differential duties, and is eager to give equal treatment to the manufacturers of India and England, has he really done so? May we ask whether the closing of the mints and the artificial rise in the rupee is not a differential duty in favour of Manchester? If Manchester had been obliged to sell its goods at the true value of the rupee, viz., Rs 21 to the sovereign, instead of Rs. 15, it would not have found the trade so profitable. In fact, Manchester and all importing countries have been favoured by the unfortunate currency policy to the great detriment of the industrial and other vital interests of India. Mr. S. A. Ralli, a distinguished member of the eminent firm of Messrs. Ralli Brothers in his evidence before the Currency Commission of 1898, in answer to a question said as follows:— "It is utterly impossible to have a stable and permanent rate of exchange in India. This was alluded to by the Chamber of Commerce of Bombay, and I wrote at the time to our firms that the man who could establish a stable and

permanent rate of exchange in India, without interfering with the development of the foreign and local trade, would be a genius, and that a statue ought to be erected to him in every town and village of India."

Our readers are possibly aware of the extensive strike of mill-hands in Bombay. Within the last few days thousands of men have been thrown out of employment, and the currency legislation and the artificial rupee are at the bottom of this conflict between capital and labour. The masters, who are hit hard by the 16d. rupee, wish to reduce the wages by $12\frac{1}{2}$ per cent., telling the workmen that every rupee to them is worth 16d. instead of 11d., and they find that unless the cost of production is materially reduced, masters and men will both suffer, as they can not make their mills pay. The currency legislation, in our opinion, is also mainly responsible for all our agrarian troubles. We have read with considerable attention the speeches delivered at the recent Legislative Council, which assembled at Mahableshwar to discuss the Land Revenue Bill. Not one speaker has touched upon the most vital question, which is at the root of all the evil. The artificial rupee has enhanced the ryot's assessment by about 35 per cent. Instead of paying 11d. to the rupee, he is made to contribute 16d. Instead of getting Rs. 21 to the sovereign for his produce he is getting Rs. 15, and yet we have not a man in the Legislative Council to say one word about it. Mr. J. F. Finlay, C. S. I., Secretary to the Government of India in the Finance Department, in evidence before the Currency Committee of 1898, was asked the following question: "Suppose that the exchange value was 1s. 3d. and it was driven up to 1s.

4d., would not that be a tax equal to 7 per cent., which the tax-payers, perhaps, did not see, but really a hidden on all the production of every farmer and everybody in India to the extent of 7 per cent?" And the witness had to admit the point.

V.

(*Leardea "Indian Spectator" 2nd June 1901*).

PROSPECTS OF OUR MILLS.

A few weeks back we had occasion to review some of the speeches delivered at the annual meeting of the Mill-owners' Association held some time back. Last week we had the pleasure of favourably commenting upon the steps which are being taken with of the help of the Improvement Trust in solving the problem of housing the mill-hands in cheap but comfortable and sanitary quarters to be erected by the Improvement Trust. In this article we wish to discuss the present and the future prospects of the mill industry in general, as we believe that the prosperity of our city depends in no mean measure upon the prosperity of the mill industry which finds employment in Bombay alone for about 80,000 hands and in the whole of India for about a lakh and sixty thousand. In Bombay we have 82 mills, with 25 lakhs of spindles and 22,000 looms, and for the whole of India about 50 lakhs of spindles and about 40,000 looms, the approximate cost of which is about 23 crores, to say nothing of a very large sum of money which is required as working capital, and which may come to about another 6 crores.

We think that the up-country mills have very little to fear either from Japanese competition or the Currency policy. They are quite independent of both. But the case with the Bombay mills, and particularly the spinning ones, is quite different. We compute the entire cost of the Bombay mills at about $12\frac{1}{2}$ crores on the basis of Rs. 40 a spindle, and Rs. 650 a loom. The working capital required for the Bombay mills could be safely reckoned at about 3 crores. Our intelligent readers will easily see from the above figures how Bombay would be affected by any serious and irreparable disaster to the industry. We, however, think that whatever may be the present misfortunes of the industry, it will recover ground. Of course, the industry could be set on its legs at once, if the mints were re-opened to-morrow. That is a consummation devoutly to be wished for. But what with the infatuation of Government about their policy on the one hand, and the extreme ignorance of the intelligent public regarding the far-reaching effects of the artificial rupee on the other, it is impossible to hope that the mints will be re-opened in the immediate future. Next to Calcutta, Bombay may be reckoned as a seat of high class intelligence and progress in India, but who hears of any able discussion either from the platform or in the press ?

No doubt, we have among the European commercial community very able men, who must be thoroughly alive to the effects of the artificial rupee. But human nature being what it is, it is no great wonder if our European merchants and traders preferred to remit their savings to their distant homes on terms advantageous to themselves and to pay less for imports

which they require. The native community, therefore, cannot expect much help from them. We know for certain that there is some slight feeling which has recently been aroused in this matter, but after all it is not much, and the silence on the subject, the result of ignorance, is freely made use of by those who brought about the precious currency legislation. Mr. J. E. O'Connor, C. I. E., in his evidence taken on 6th June, 1898, distinctly stated that the closing of the mints has caused no dissatisfaction amongst the people. He said : "The Government of India received translations of all important articles published in the native papers from week to week, and these are always closely examined, but we have never found any reference to anything like dissatisfaction as arising out of the closing of the mints. We have found that repeated efforts have been made from England to arouse such dissatisfaction and to generate such expression of discontent. But ever since 1893 there is really no reference to anything of the kind, except now and then, perhaps, in one or two Bengali papers, which wrote about the matter in a very ignorant manner." However, we should like to discuss the present prospect of the industry, even under this disadvantage. Since October last there has been a great fall in cotton, something like Rs. 50 a candy being equal to 784 lbs., whilst on the other hand, yarn has not fallen to the same extent as cotton. At present we believe there is a margin of profit to the extent of half an anna a pound on 10's. and 20's, and one anna on cloth. As regards higher counts of yarn the profit is less, and these are mainly supplied to Bombay by the Ahmedabad mills which have been spinning 30's. and 40's. for the last twelve months. No doubt, our

formidable rival is Japan, but she, too, is now crippled for the moment.

There is an acute monetary crisis there. Their buying of cotton in Bombay is extremely reckless, and they are paying actually Rs. 7 a candy more than they need pay. They are running their machinery to death by working night and day, an experiment which was partially tried in India some years ago without success. Further, in prosperous years they have never seen the advantage of having either large reserve or depreciation funds, which are now not available to them in case of necessity for renewing their machinery. In fact they have gone at too fast a rate, and had it not been for their Government which has repeatedly helped them, they would have gone to the wall long ago. The political situation there is also not reassuring. She is face to face with Russia with a large, well-equipped army and navy, but with an empty treasury which after all is one of the sinews of war. So taking everything into consideration, the Bombay mills have a fair chance of weathering the storm, and now that they are alive to their shortcomings, they will have breathing time for veering round and for endeavouring to cultivate the home trade. Nearly 30 crores worth of yarn and cloth are imported into the country against 10 crores of exports. As it is, therefore, they have a large field at their very door, and, having such a market close at hand, if the Bombay mills show signs of decay, they will have to thank themselves. The Cawnpore experimental Farm has cultivated long stapled cotton with some degree of success ; so one great obstacle to the spinning of fine counts may be removed. But we think that

there is already a fair quantity of good staple cotton such as Barsi, Compta and Surat Ginned which would no doubt spin up to 40's. The last named cotton costs about 4 annas and six pies per lb. after deducting the blow-room loss ; whilst the American cotton costs about 4 annas 10 pies in Liverpool. Although the difference in price is apparently not much, it would come to a great sum if freight and insurance were added. It is strange that cotton from Bombay to Liverpool costs about Rs. 12 a candy ; but from Liverpool to Bombay it comes to about Rs. 18. Why that should be so, we cannot understand. Bombay's 30's yarn is barely 7 annas per lb., whilst foreign yarn is from $\frac{1}{2}$ to $\frac{3}{4}$ anna better. What is the reason ? Our mill-agents, with very few exceptions, have hardly any knowledge of their trade, and their helpers in the majority of instances are no better. Peace in China will no doubt help the industry, the prospects of which are brighter to-day than they were twelve months back. We trust that those interested in the industry will profit by the lessons of those twelve months. And the sooner they acquire more intimate knowledge of the trade, and in the near future turn their attention to the home trade, the better will it be for all concerned.

VI

(*Leader, "Indian Spectator" 14th July, 1901.*)

THE CURRENCY LEGISLATION OF 1893.

Some three weeks ago we published a letter from Mr. H. H. Lord, who adversely criticised the letters

which have appeared from time to time from the pen of Mr. Jamsetji Ardaseer Wadia. Mr. Lord's letter was very short and meagre, and contained nothing worth mentioning, but we are always eager to give a wide publicity to anything which would help us to elucidate this difficult question. We now publish in our to-day's issue Mr. Wadia's reply to Mr. Lord. The twodespatches which he quotes contained very sound opinions, which the authorities held in 1879 and in 1886, and which in an evil hour, although with the best of intentions, they abandoned in 1893. In our mind, there is not a shadow of doubt that the entire export of the country is penalised for the benefit of imports, and, as the ryot requires very little of imports, he hardly benefits, while he is a terrible loser by being compelled to part with his produce at Rs. 15 to the sovereign, although he is entitled to receive Rs. 21. For the last twentyfive years, we have been accustomed to hear the loss inflicted upon the Government by falling exchange. But did the Government actually lose anything ? And if there was a little loss, were not the wealth-producing institutions of the country thriving ? We find that in the twenty years ending March 1893, the net deficit has amounted to about Rs. 2·40 crores only, and that, too, in spite of famines and wars. The following figures will show the condition of export trade under different rates of exchange.

In 1893-94, with exchange at 1s. 2·54*d.*, we have a trade balance of Rs. 15 crores. In 1894-95 with exchange at 1s. 1·10*d.* the trade balance increases to Rs. 34 crores. In the next year, 1895-96, with exchange at 1s. 1·64*d.*, the trade balance is Rs. 32 crores. In the

following year, 1896-97, exchange has risen to 1s. 2.45d and the trade balance falls from Rs. 32 crores to Rs. 19 crores ; in the year 1897-98, with a further rise in exchange to 1s. 3.40d. the trade balance shrinks to Rs. 10 crores. By trade balance we mean excess of export after paying for all imports. It is often said that if the rupee was not artificially enhanced in value from 11½d. to 1s.4d., it would be impossible for the Government to balance its budgets without raising Rs.10 to 12 crores in extra taxation. But this is an absurd statement, because we know for a fact that with exchange at 1s. 1.10d. in 1894-95 we were able to balance our budget ; and if the Mints had not been closed, silver would never have fallen so low. If, moreover, there was a deficit of, say three or four crores of rupees, it could easily be raised by increasing import duties, or levying a small export duty, say about 3 per cent. We are quite sure that exporters would have cheerfully submitted to the small export duty, because indirectly they are paying now about 35 per cent. When the tea-planters complain about the loss inflicted on them by the artificial rupee, they are told that they must raise the price of tea by curtailing production, and they are further told that with an open mint they would be profitting by robbing labour, that is to say, they would be paying the same number of rupees to their labourers even when the value of the rupee fell from 16d. to 12d. Now it is in evidence, official evidence, that with the fall of the rupee to 1s. 1-10d. its purchasing power in India was the same ; so we fail to see where the robbing of labour comes in. Moreover, the planters are bound to sell rice to the coolies at a uniform rate of Rs. 3 for a maund of 80 lbs. So with the fall in exchange, if pro-

duce rises—which it must—it is the planter who pays for it. Now let us examine the plea that a fall in exchange stimulates production unnecessarily. We quite admit that it does stimulate production. But, may we ask, what crime does the planter commit by profitably producing, under the stimulus of low exchange, large quantities of tea which he is selling to-day to the workmen of Great Britain at a cost much lower than what he paid ten years back? No doubt the output of tea has enormously increased within the last few years. But we maintain that as long as the Indian and Ceylon planter, the excellence of whose tea over the products of China and Japan is undoubted, has got to drive out of the markets of the world his rivals who are now supplying America and Russia, he ought not to be accused of over-production. He has captured the English markets entirely. He has got a strong foothold in Australia, and his progress in the markets of America would have been very rapid but for the deplorable Currency legislation. In our opinion, if the Government had not unfortunately interfered, in ten years' time, 95 per cent. of the tea consumed in the world would have been Indian and Ceylon. The state of India at the present moment is pitiable. To our mind it has neither a gold nor silver standard. For the last seven years the Mints have been closed, and yet where is the gold currency? Last year an enormous quantity of rupees, *viz.*, seventeen crores was minted, and yet the rupee is called a token coin like the shilling, although it is the standard coin of the realm. If stability of exchange was the real object of the Government, they ought to have fixed the rupee at $11\frac{1}{2}d.$ which is the basis on which Japan has introduced gold

into the country, and if Japan is not able to retain gold on the basis of $11\frac{1}{2}d.$, we wonder how our gold currency would fare on the basis of $16d.$, when high authorities have maintained that no permanent good can come from the closing of the mints unless the export trade of India increased, and we have already shown above how high exchange has operated against exports. We will conclude by quoting the Right Hon. Lord Rothschild :—" I must emphatically remark here that a change of that kind, desirable as it may be in the interest of India, will be of no avail, and will effect no permanent good unless steps are taken to increase the exports of India, because it is on the magnitude of the export trade that the future of a gold standard and gold currency depends."

VII.

(*Leader*, "*Indian Spectator*" 11th August, 1901.)

THE CURRENCY LEGISLATION OF 1893.

We publish in our to-day's issue a letter from Mr. Jamsetji Ardaseer Wadia in reply to Mr. Lord's second letter. In order that our readers may fully understand and appreciate Mr. Wadia's rejoinder, we also give Mr. Lord's letter. Alas, we must have had many Anglo-Indians amongst us who take Mr. Lord's view, otherwise the currency muddle would not have been brought about and allowed to continue. It is a pitiable spectacle to see an Englishman advance such arguments as Mr. Lord has done in his letter. He says that if he is paying less for all articles of import, he ought to be congratulated, and if he avails himself fully of the benefit, he is doing that

which is expected of him. He, however, allows that what is his gain is the producer's loss, and says that the producer can recoup himself by raising the price of his produce. If the Currency Legislation is to be defended by such arguments, and if the Government of India can find no better champion than Mr. Lord, whose fallacies have been thoroughly exposed by Mr. Wadia, we say woe be to the Government. We sincerely trust that the Currency Legislation of 1893 is based on more solid foundations of which we are not yet aware. We will not pursue the particular subject of these letters any further beyond amplifying some of the points referred to by Mr. Wadia. He says that the loss to the producer in export alone amounted last year to about 40 crores. But this is not his only loss. He loses also on all produce the price of which is regulated by large producing countries like America. The average cotton crop of India is about thirty-two lacs of bales. We, of course, exclude from our average the small cotton crop of the last famine year. Of the thirty-two lacs about twelve lacs are exported to Europe and the Far East. What Mr. Wadia contends is this, that the producer loses not only on the twelve lacs of bales exported, but also on the twenty lacs of bales sold in India. We all know in Bombay that our local market for cotton and seed is going up and down every day in sympathy with New York and Liverpool, and the Bombay spinner is buying cotton almost at the same price as Europe and Japan, the only saving to the local spinner being in shipping charges. So it is evident that the producer loses on the entire crop of thirty-two-lacs of bales, and the loss to him is enormous; it is therefore, a great deal more than forty crores a year.

People can now have some idea at what tremendous cost the fixity of exchange has been attained, and for whose benefit? Certainly not for that of the country. If exchange had gone down to its bullion value, viz. $11\frac{1}{2}d.$ to the rupee, it has been clearly shown that the loss would have been about four crores, whilst the loss to-day on exports and internal trade may be over sixty crores, and can a poor country like India stand the strain much longer? Our readers should bear in mind that the entire produce of the country, which is estimated by His Excellency the Viceroy at 450 crores, is not affected nor dominated either by exchange or European prices, because it is never shipped but is consumed in the country, its price depending upon good or bad harvest. A good deal was said about the foreign trade of India being mostly with gold-using countries, and, the proportion being 80 or 20 per cent. it was considered desirable to have a gold currency. This was one of the main arguments advanced by the Government before the Currency Commission. But what is the value of the entire export trade of the country, which comes to about 104 crores a year, compared to the immense internal trade? It has been mentioned before the Currency Commission by those qualified to give an opinion that the external trade of the country is barely over 5 per cent. compared with the entire internal trade. So even on this ground of trade the necessity for closing the mints and introducing the gold currency comes to nothing. Our readers will remember that the ostensible object of the Legislation was to effect a saving in the Home Charges, and it is claimed that this has been effectively done. Nothing of the kind has been done

and the country is paying to-day as much at a 16*d.* rupee as it would have paid at a 12*d.* rupee. If the exchange value was raised to-morrow from 16*d.* to 20*d.*, we most emphatically repeat that to the country at large there would be no saving. This may appear to the uninitiated a staggering statement, but to us it is clear as day light.

We will now illustrate what we mean. It is agreed on all hands that the Home Charges are met by the export of produce. We will assume the price of produce, say, cotton, for instance, at 4*d.* a pound in Liverpool. With the rupee at about 12*d.* India will give 3 lbs. of cotton towards the payment of Home Charges. If you now artificially raise the value to 16*d.*, the country must give 4 lbs. of cotton. If you again raise the value to 20*d.* per rupee, you will have to give 5 lbs. of cotton. Then where on earth is the saving to the country? It is *nil*, whilst, as we have shown, enormous burdens are laid upon India, and to what pitiable straits are the wealth-producing institutions of the country reduced! Sir R. Giffen, K. C. B., in his evidence in 1898 said as follows: "As far as the community of India is concerned, the gold to be paid in London is the same thing whatever their money is. Is the position of India, or of any standard country, different in any way from that of a gold standard country, as regards the gold debt which it has to pay? We see that the Government is embarrassed a little, but is the gold debt really a greater burden to them in consequence of the change in the value of money in relation to sterling than is the gold debt of a country like Australia, for instance? Australia was very much in my mind at the time I wrote this, and I

said if it be true that a fall in the value of money of a country of silver standard affects its power to pay gold debts, then the position of countries whose obligations are in gold must surely be worse, because everything they have to pay is in gold." Further on the same witness says: "In a country like India a certain deficit ought to be faced calmly, and there ought not to be an attempt such as would be justifiable in a rich country like England to meet this deficit at once. Italy after its unity in 1859-62 took years before it could balance its annual budget." But was there any deficit worth the name in India? It has been proved that in the twenty years prior to 1893, the aggregate deficit was 2·40 crores only. After the closing of the mints, and when exchange went down to about 13*d.* to the rupee in 1895, we not only balanced our budget but had a surplus. Then why in the name of goodness so much fuss, and so much loss inflicted on a poor country which has shown no deficit worth the name? Up to this day we fail to see the necessity of a Currency Legislation which has been foisted on the country by the want of correct knowledge on the part of our rulers innocent of sound finance. One of the greatest boons vouchsafed to us was cheap money and British Capital for developing the vast resources of the country. Instead of cheap money we had extremely high rates of interest. We wonder very much if we have got a half-penny more owing to that Legislation. The existing wealth-producing institutions of the country are already starving, and we see numerous instances of the same everywhere around us. British gold is not likely to be lent to the ruined cultivator or the embarrassed planter and manufacturer. The producer is hit hard.

The importer no doubt is getting a temporary advantage, but he can—not thrive long on the ruin of his customer. The importers are fully aware of this, as evidenced by the resolution of the Manchester Chamber of Commerce, which runs as follows : “ That it is neither possible nor expedient to establish a gold standard, with a gold currency, in India under the peculiar external financial relations and economic circumstances of the Dependency, and that in the opinion of the Chamber, it would be well in the interest of India to adopt the principle that the mints should be re-opened to the coinage of silver, the time and conditions to be hereafter determined.” This resolution was passed in June, 1898. Except Government servants, whose pay is indirectly enhanced by about 35 per cent., nobody benefits. We trust we have conclusively proved that to the country at large there is absolutely no saving in the Home Charges, whatever may be the rate of exchange.

VIII.

(*Leader, “Indian Spectator” 25th August, 1901.*)

LORD GEORGE HAMILTON AND THE OVERFLOWING INDIAN TREASURY.

Since March last, as our readers are aware, we have been writing off and on regarding the Budget, the Currency policy of the Government, and other cognate subjects. We have endeavoured to show that the

artificial-rupee has been anything but a blessing to the country, and its influence on the wealth-producing institutions of the country, viz., agriculture, plantation and manufacture, is, to say the least about it, very serious. Some surprise has been expressed in quarters from which we expected greater intelligence than they evidently possess, as to how we reconcile our thesis as regards the condition of the country under the debased standard with the glowing colours in which the Secretary of State has recently depicted the state of the country's finances and its great economic progress. In a long telegram, dated the 16th inst., Reuter has made us familiar with Lord George Hamilton's utterances in the House of Commons at the time of presenting the Indian Budget. His Lordship is reported to have said as follows—"I doubt since India was first under the jurisdiction of the Crown if any Secretary of State had been able to make such a satisfactory statement. The surpluses have been large, continuous and progressive, notwithstanding the drought, and India as a whole has been prosperous. This is a conclusive evidence that the economic movement of India was on the up-grade. The agency which next to railways and irrigation had helped in fighting the famine was the Currency policy. Lord Curzon is doing everything tending to the internal prosperity of India, and he uses his rare power of sympathetic eloquence to bring home to the native communities the beneficence and unselfishness of British intentions." We have quoted as much from the telegram which was received the other day in Bombay as would put our readers as succinctly as possible in possession of his Lordship's views. Our readers, not familiar with

finance and commerce, may naturally conclude that the picture drawn by the Secretary of State is quite the reverse of the views we have put forward in these columns from time to time. Our views are unaltered, but in the statement Lord George Hamilton has made we see a confirmation of the opinions which we have so often expressed. As to the Treasury being full and possibly overflowing as stated by his Lordship, there is no manner of doubt. But is it a sign of prosperity if the treasury is filled by putting a screw on the taxpayers, which, we maintain, his Lordship has done through the artificial rupee? It is known to and acknowledged by the Government through the Finance Minister that all the wealth-producing institutions of the country have suffered. There was a severe famine, the like of which we have not known for the last hundred years, as stated by his Excellency the Viceroy, carrying away millions of people and entailing on Government a heavy expenditure running into crores, say, about ten, to keep the body and soul together of the survivors. There has been an unwonted depression, as stated by the Finance Minister in the three leading industries of the country, viz., tea, cotton and indigo, and yet there is a substantial surplus and an overflowing treasury. Where did it come from? Did the rupees drop from the skies and fill the treasury? Did the heavens, which were so merciless to the ryot in denying him the life-giving rain, pour treasure into the Government coffers and fill it to overflowing? No, nothing of the kind. The treasury has been filled in the times of dire distress by taking from the taxpayers 16*d.* to the rupee instead of 11½*d.* For railway service, either for freight or passen-

gers, we paid 16d. instead of 11½d. per rupee. Hence the railways have done well. The same with irrigation, and the same with other taxes. With an open mint and a rupee, say, at 1 shilling, if one paid Rs. 20, it would be 20 shillings. If he pays now Rs. 20 at 1s. 4d. a rupee, he has to give 26 shillings and little over. We have repeatedly said that the artificial rupee has enhanced taxation, and this is not unknown to Government.

Sir A. P. MacDonnell, G. C. S. I., Lieut. Governor of the North-West Provinces, in answer to a question put by the Currency Committee of 1898, said as follows :—

“ Yes, of course, I am aware that the effect of the closure of the Mints might possibly tend to increase taxation, because although the number of coins paid in is the same, nevertheless the coin might represent more commodities. But this effect is produced unconsciously; the people are conscious of no additional burden”.

As for the economic progress of which Lord George Hamilton speaks with so much enthusiasm, the less said about it the better. We are quite familiar with the cry of distress raised by the planter and the manufacturer.

The Currency Legislation, no doubt, has been a boon to Government servants. Their pensions are paid in gold. They get exchange compensation at 1s. 6d. to the rupee, and their pay with a closed Mint gives them 16d. to the rupee. With an open Mint they would have got 11½d.

With all the complimentary things said by the Secretary of State about our beloved Viceroy, we heartily agree, as they are true to the letter. India since the

times of Lord Ripon never was blest with such a Viceroy as Lord Curzon, who loves this country and its people with all their imperfections, and is amongst us only for our good. The whole of India prays fervently for his health and happiness, and it looks to him, and him alone, to remove the blot of having introduced an artificial currency from the otherwise glorious annals of British Rule in India.

IX.

(*Leader "Indian Spectator" September 1st 1901*).

THE LAND REVENUE BILL.

The Bill which was hurriedly introduced at the meeting of the Council held on the breezy heights of Mahableshtar during the last season, was passed into law on last Saturday week at Poona after a long and animated debate, in which official and non-official members ranged themselves in two hostile camps, both strenuously fighting with their might and main, and pouring forth a flood of eloquence in support of their pre-conceived notions as to the effects of the Bill. The speeches on both sides left very little to be desired, and we do not think that in point of eloquence, and in facts and figures, marshalled out with consummate skill, there ever was a Legislative Meeting which could be compared to the one under review. We will not here go into the merits or demerits of the Bill which was introduced by the Hon'ble Mr. Monteath with the best of intentions,

but we cannot help disapproving the action of the Bombay Government over which so sympathetic a Governor as His Excellency Lord Northcote presides, in declining to postpone the second reading of the Bill. That one who has given so many proofs of his deep sympathy for the children of the soil ever since he came amongst us to rule over the Presidency should have refused the reasonable prayers of the Hon. Mr. Mehta and his supporters surpasses our comprehension. What was it, after all, that was asked of the Bombay Government with reference to this Bill which has agitated the entire Presidency, and which has been the cause of many a public meeting and many a petition, the like of which we have not witnessed for a very long time? It was simply this, that the measure should be postponed for about six months, during which an exhaustive enquiry was to be instituted by a Commission, the majority of members being the trusted high Officers of Government. Surely, a subject on which the official and the non-official members were so hopelessly divided in their opinions would have lost nothing by a delay of six months which would have given breathing time to both parties and enabled them to understand each other better. This small concession was denied by Government to the non-official members who were constrained to take the unusual course of withdrawing from the Legislative Council in order to emphasize the defiant attitude adopted against them. Attempts have been made to ridicule the conduct of Mr. Mehta and his associates. Some consider it melodramatic and farcical. Others on behalf of Government, contend that it is meant to be an insult to the President, and through him to our Emperor. We

consider Mr. Mehta's conduct neither theatrical nor offensive. He only took the course which circumstances forced upon him, though we sincerely regret that such an incident took place. Occasions such as those witnessed in Poona are of very rare occurrence. Mr. Mehta is the popular and trusted representative of the people, esteemed alike by the highest officials and his colleagues, and those who know him will never admit that he meant to be disrespectful to his learned colleagues, much less so to his Excellency the Governor who is rightly held in high and universal esteem by the people. It is not in Mr. Mehta to be disrespectful. The Government flouted the unanimous opinion of the non-official members and respectable public bodies who, rightly or wrongly, felt strongly on the matter, and whose prayers for a short delay were flatly refused. Mr. Mehta must have believed that out of self-respect he could not very well take part in the consideration of the details of the Bill, the very principle of which he was opposed to. He had, therefore, no other course open to him but to withdraw, as he had plainly hinted in his speech.

We fully appreciate the desire of Government to save the ryot from the clutches of the sowcar. We think that they ought to have endeavoured to do so long ago, and as the Hon. Mr. Moses pertinently remarked, it could have been done by the establishment of Agricultural Banks. We also admit that those who know the Hon'ble Mr. Monteath will hardly admit that he has hurried through the Bill without reasons. Such a conscientious, painstaking and hardworking official as the Hon'ble Mr. Monteath it is difficult to find.

A man of ripe experience and good judgment, Mr. Monteath, who has spent the best years of his life among the agriculturists, cannot but have sympathy with the agricultural classes, for whose supposed amelioration the Bill was passed, but if the representatives of the people held a different opinion, the best course open was to postpone the consideration of the Bill. As Mr. Rogers pertinently remarks in yesterday's *Times of India*, the Government ought to move slowly in a matter of such vital importance to the ryot. Mr. Rogers who claims to speak with authority as being one of the originators of the Code, writes in impassioned language on the burning question of the day, and expresses his strong and unbiased opinion that time might be given for public opinion to form itself on the matter.

We are glad to notice that the evils of the Currency Legislation, to which we have been giving special attention, were touched upon by the Hon'ble Mr. Moses while dealing with the causes of the poverty of the peasant. While mentioning Mr. Moses, we wish to draw the attention of our readers to his altogether interesting and weighty speech. Although nominated to the Legislative Council by the Government, he had the courage to plead for the ruined ryot, who has been brought to this pitiable pass, as stated by the Hon'ble gentleman, by a series of calamitous events, such as famines, plague, and the Currency Legislation, which has depreciated his few silver ornaments, and handicapped him in the sale of his produce, for which he is compelled to receive Rs. 15 to the sovereign instead of Rs. 21. We give great credit to the Hon'ble gentleman

for his sympathetic speech, and we cannot forego the temptation of quoting a little of it here:—

“My Lord, we must not lose sight of an important factor that militates against the success of the ryot from emancipating them from the clutches of the money lenders or enabling them to pay off Government overdue taxes. For, in addition to a series of calamitous years of plague and famine with which they had to contend, they have to meet with an even more formidable enemy which affects their purse as well as their prospects in life. It is the exchange question. Since the closing of the mints, brought about by the Currency Legislation some years ago, these poor ryots have been handicapped to the extent of about 30 per cent., in the sale of their produce in the race of competition with the products of Europe, America and the Argentine. Exchange, as you are aware, has been artificially forced up to the level of 1s. 4d. per rupee, whilst its intrinsic value in relation to silver is under a shilling, so that if exchange was allowed to take its natural course, our cultivators would have earned considerably higher rates in rupees for their produce than they do now. On every sovereign's worth of produce exported, they are compelled to receive Rs. 15 instead of about Rs. 21, to which they are entitled with an open mint. Whilst their income is thus curtailed, the taxes that they pay remain unaltered as in the days prior to the closing of the mints. I submit, my Lord, it is a very hard case, and deserves the commiseration of Government.”

A great deal was said about the ryot's extravagance on festive occasions. On the authority of the Viceroy

he is waxing fat on Rs. 20 a year ; our criminals last year cost us about Rs. 59 per head ; so there is not much room for extravagance on such a pittance, although we must admit that there is some truth in the charge. The best way to cure him of his folly is to give him a little of primary education, on which very little money is spent by Government. We, however, cannot refrain from saying that classes which have immensely benefited by British rule, viz., the merchant, the trader and the professional classes, do very little which might be considered tangible for the benefit of their poorer brethren.

X.

(*Leader "Indian Spectator" 15th September 1901*).

LORD GEORGE HAMILTON AND THE INDIAN BUDGET IN PARLIAMENT.

A short time ago, we had occasion to refer to this subject on receipt of telegraphic intelligence supplied to the Indian public through Reuter's agency. The mail that arrived last Saturday week has brought us the full text of all the speeches delivered by various speakers, from the Secretary of State downwards, which enables us to make further comments upon a subject of great importance for the well-being of India. We are told that the tone of Lord George Hamilton throughout his speech on the Budget was jubilant. The practically empty House of Commons, to which he addressed his

remarks, had no depressing effect on his Lordship who is reported to have declared that no previous Secretary of State, since the Government of India passed directly into the hands of the Crown in 1858 had been so fortunate as himself, who has been lucky enough to present to the House such prosperous Budgets of late years in spite of dire natural calamities entailing heavy expenditure on the Indian Exchequer. He has declared, in one breath as it were, that the material losses inflicted on the country by the last famine may be estimated at £ 50,000,000, and after spending on relief £ 15,000,000 out of the revenue and without extra taxation, there was a credit balance of £2,774,623. In other words, if there had been no famine, the surplus would have been £ 17,774,623 or a little over 27 crores, and this, too, without extra taxation. Is it possible? We have repeatedly urged in these columns that the artificial rupee has enhanced taxation to an enormous degree, and the Government is taking from the taxpayers 16*d.* for every rupee instead of 11*d.* We compute the entire revenue at about 110 crores, and the extra taxation which the country is annually paying, at about £23,000,000 more than the Government would have received with an open mint.

To us it is a pitiable spectacle to see a Minister of State of the position of Lord George Hamilton get up in the House of Commons, although empty, to make statements which no man with any capacity to think for himself can swallow. To get the above result his Lordship scarcely knows what hardship he may have inflicted, albeit unconsciously, on the poor cultivators of the soil, who have been made to lose enormously

not only on articles of export, but also on those articles which are consumed in the country, and the prices of which are dominated by export prices. Take, for instance, one article alone, viz., cotton. Excluding the last famine year, the average annual production of cotton in India is about 32 lacs of bales. About one-third of these are exported to Europe and Japan, but the poor producers are made to lose on the entire crop, as the local spinners practically pay the same price as foreigners, the only difference being that the local spinner saves in shipping charges.

We have lost no opportunity of bringing this subject, from time to time to the notice of the public, and have done our humble best to probe the question to its bottom.

To judge, however, from the entire silence which prevails on this vital subject throughout the land, we must own to certain feelings of disappointment, and we cannot but acknowledge, that our efforts have borne no visible fruit yet. Beyond a few solitary writers who ever approaches this subject? We must exclude from our remarks Mr. Wadia, who has left no stone unturned to stir up the usually lethargic public, and his last, but not the least, valuable contribution in the columns of the *Times of India* will be, no doubt, read with great interest. Not content with writing incessantly in India, his letters have made their appearance in England, to which our London correspondent has from time to time drawn the attention of our readers. We must not also forget to mention the weighty contributions made on the subject by Major E. F. Marriott who, although

at long intervals, is still ably assisting the efforts of Mr. Wadia. Mr. Robert Elliott, a planter in the south, has already started a currency reform league which ought to be supported.

But beyond these few writers, and a few solitary journals, we are constrained to admit that the educated classes maintain the silence of the grave. The whole of the civilized world is invited by the Secretary of State to examine the accuracy of his statements regarding the prosperity of India by applying all those tests which go to prove the prosperity of a country like England. We must, however, decline the invitation. No doubt the superstructure of the magnificent edifice which we are called upon to admire is imposing, but we must admit that it rests on a rotten foundation, viz., a debased standard. Comparisons under such circumstances are out of place. We cannot conclude our remarks without a word of praise for Sir Muncherji Bhownaggri. His speech on the Budget is admirable, and we highly appreciate his advocacy of the sober and sturdy Lascars, as also his appeal to the Imperial Government for bare justice to British-Indian subjects in the colonies. We heartily endorse his remarks about the employment of 30,000 of our troops in China and elsewhere. Sir Muncherjee Bhownaggri has made the subject of technical education in India his own, and he very pertinently drew the attention of the House to the fact that, although the so-called large factories in India number close upon 8,693, the total men employed in them is 660,000. We would have been extremely pleased if he had given more attention to the bogus surpluses of late years and tried to look below the surface, but we do not blame

him for his want of knowledge on this head. Those who are the sworn hostile critics of our Government show no better results either in England or in India on this subject.

XI.

(*Leader, "Indian Spectator" 29th September 1901.*)

THE INDIAN BUDGET IN PARLIAMENT.

Whilst reviewing the statements made by the Secretary of state in the House of Commons we had on the last occasion the pleasure of expressing our approval of the part taken by our esteemed citizen, Sir Muncherjee Bhowmagree, whose speech on the occasion as regards manner and matter left very little to be desired. Speaking about the employment of 30,000 of our troops in China and South Africa on behalf of England, he is reported to have said as follows :—

“The reduction of upwards of a million and quarter in the Army charges during the past year owing to the absence of regiments in South Africa and China is an item of the financial statement which is not only satisfactory in itself but gives food for reflection whether a readjustment of the military expenses now born by India should not be effected upon an equitable basis.”

The growing military charges have been a sore point with many of us in this country for years past, and we are afraid, what with the war in South Africa and the natural desire common to all in this world of

making others pay if possible for what is for one's own benefit, the worthy knight and many of us will have to wait a long time before the equitable adjustment spoken of above takes place. Perhaps it is not here out of place to recall to the memory of our readers the state of the army when our ever to be revered ex-Viceroy Lord Ripon left our shores. At that time our army consisted of about 60,000 British troops and 120,000 native troops. His successor, Lord Dufferin, who came to India with a great European reputation, was a man of Imperialistic instincts, and, as he could not very well order the increase of the army in England, saddled us with 16,000 extra British troops and 26,000 Indian troops. In short he increased our army from 1,80,000 to about 2,22,000 troops. If extra troops were required for the last Burmese war, nobody thought of taking the trouble to reduce them to the original number since. No doubt this step made his Lordship extremely popular with Englishmen in India and England, but it ultimately broke our back. But for these 42,000 extra troops, our finances would never have been in supposed danger, and we would never had the course of a debased standard which is sucking the life-blood of India. People have no conception of the evil of the enhanced rupee. Lord George Hamilton has shown for 1899-1900 a surplus of £ 2,774,623 after meeting famine expenditure, exclusive of loans of £ 3,442,000. But for the last famine we would have had a surplus of £ 6,216,623, according to his lordship. Now let us examine how much more the Secretary of State has taken out of our pockets in times of unprecedented distress. In our last article on the subject we informed

our readers that, computing the entire revenue at about 110 crores of artificial rupees per annum, we have given about £ 23,000,000 more at the rate of 5*d.* per rupee with the mints closed. But this is not all that we have given ; we have to add £ 3,000,000, being the profit on coining 17 crores of rupees. So we have actually paid about £ 26,000,000 more than we ought to have given with an open mint, whilst, on the other hand, we would have had a surplus, if there had been no famine, of £ 6,216,623.

Deducting the latter figure from the former, we had actually paid about £ 19,800,000, or about 30 crores more than we ought to have done, and for which we have nothing to show. It is said that we would have required about 12 crores more for Home Charges if the mints were open. In one of our previous articles we informed our readers that our Finance Minister was able to balance the Budget in 1894-95 with exchange at 13*d.* to the rupee ; so in remitting £ 16,500,000 at 11*d.* to the rupee instead of 13*d.*, we would have required about 5 crores more only. Instead of that as we have shown above, we have actually given 30 crores instead of 5 crores, to say nothing of losses inflicted on the producers. One would naturally inquire where the 25 crores have gone to. They ought to have gone into the Indian Exchequer, as they came out of the pockets of the tax-payer. It is impossible to account accurately for the entire sum, but we have given to our servants, European and Native, about seven crores more in salaries. We are giving them now 16*d.* to the rupee instead of 11*d.*, and on 22 crores, which is the amount of salaries per annum, we are giving about

7 crores more, and for all the good which the 7 crores is doing in the world for them, we believe that about three-fourths of this sum, given away annually, might be thrown into the Indian Ocean either by the giver of the receiver. It no doubt sounds strange that we consider three-fourths of this sum of seven crores as mere waste year after year. For any explanation of this view of ours, we would request our readers to possess their souls in patience until we revert to this subject again at no distant date, when we hope to give our reasons for the view we take of the matter.

XII

(Leader "Indian Spectator" 6th October 1901).

THE INDIAN BUDGET IN PARLIAMENT.

OUR LAST WORD.

When we referred to this matter in our last issue, we informed our readers that we paid nearly 30 crores more in taxes, a greater portion of which is a total loss to the country and for which the Government have nothing to show. We further alleged that, owing to the closing of the mints, we have given about seven crores more to our servants, three-fourths of which is mere waste. Although the tax-payers have given them this amount, it does them no good in the world, and, so far as we are able to judge, the reasons are plain enough.

Take an instance of a servant drawing Rs. 900 a month. If he is an Englishman, he is entitled to remit to Europe for his family a certain portion of his pay, whether the mints be closed or not, at 1s. 6d. to the rupee, known as exchange compensation to the service. So far so good, but what remains in his hands is spent on house-rent, servants, and other domestic expenditure, and it matters to him very little whether his rupee is worth 12d. or 16d. Does he pay less house-rent now or has he cut down the salaries of his servants who are paid in the artificial rupee? Does he pay less for all his ordinary requirements? He would only save in his wine bill or his clothes, which cannot come to much. If the twenty-two crores paid to the servants were entirely spent in Europe, then no doubt it would be a different matter, because his rupee would command produce or articles worth 16d., instead of 12d., but, that not being the case, he would only benefit in the purchase of European articles which he may require, be he European or Native, and that could not exceed 25 per cent. of his salary. In fact it ought to be a great deal less. It may be urged that if the landlords or servants or anybody else are paid in depreciated rupees, we would be paying less than what is due to them. But the purchasing power of the rupee has not undergone much change; so, if the money is to be spent in India, it makes no difference if the rupee is 12d. or 16d.

Sir A. P. Mac Donnell, in answer to a question by the Currency Committee on this head answered as follows:—"Apart from the dislocation caused by the famine and bad seasons, the purchasing power of the rupee has remained pretty steady. There have been

local variations, of course, owing to scarcity and so on; but, apart from these, the purchasing power of the rupee has remained steady from the middle of 1886 to the middle of 1893. In 1886 the exchange was 1s. 6d. and then it went down as low as 1s. 1d. in 1894. In the ten years from 1885 to 1895 it has had but very little influence."

The Bombay mills, manufacturing yarn for China, wanted to reduce the wages of the workmen, who were told that, as they were getting rupees of enhanced value owing to the closure of the mints, they can very well stand a reduction of $12\frac{1}{2}$ per cent., which they refused to allow and went on strike. The workmen, however, were not wrong, because we fail to see in what tangible way labourers benefit by the debased standard. On the 19th of September our able contemporary, the *Times of India*, in an interesting article noticed some of the facts and arguments advanced by Mr. H Kopsch, Statistical Secretary to the Imperial Chinese Maritime Customs. The *Times* says:—"He has only one explanation of the lack of development. It is the exaction imposed on Chinese consumers by the depreciation in the gold value of silver. In 1890 the Chinese could obtain for a tael goods to the value of 5s. $2\frac{1}{4}$ d., whereas last year the same money would only exchange for 3s., a difference of 42 per cent. Among other things he ascribes the marked falling off in the importation of Indian piece-goods to a rise in price owing to the fictitious value of the rupee and the consequent decline in demand. Mr. Wadia will welcome this disinterested acquiescence in a view he has often expounded."

and It is often said that the distressing state of the

mill industry, depending upon China for its output, is owing to over-production. But that is not so, as it has been shown that during the last seven years Japan has exported yarn which has gone up in some places 1,200 per cent, whilst India has remained stationary, and the Japanese yarn which is competing against ours is practically made out of cotton purchased in Bombay.

Our readers will easily perceive how far-reaching are the effects of the Currency Legislation, and how profound is the ignorance on this subject. The Government are deriving some benefit no doubt, but it is out of all proportion to its cost. If the Government are receiving Rs. 100 from the taxpayer, they do not profit on the entire sum at the rate of 5*d.* per rupee, as they have got to give away enhanced rupees to a very large extent, and that is the reason why out of 25 crores mentioned above we have very little to show for it except the profit on coinage. The Currency Legislation was passed under a misapprehension, and the sanction of the Herschell Committee was given to the closing of the mints under a threat that if things were allowed to drift, the Indian Government would go bankrupt. It was also urged that if more taxes were levied, there would be political danger. And in this matter, we believe the Government were right. Some writers and speakers have made it their business to lose no opportunity of earning cheap notoriety by abusing the Government and using their ingenuity in perverting facts. We think they, more than the Government, are responsible for this deplorable piece of Currency Legislation. If the Government had attempted in 1893 to raise three to four

crores by taxation, they would have been overwhelmed with eloquence and newspaper literature of a kind on the iniquity of further bleeding the tax-payer. Now crores are disappearing, but beyond some solitary voice, none is heard. We quite believe that it is essential for good government to keep our finances in order and free from fluctuations and panic, consequent upon fluctuations in exchange, and if they were to fix the rupee at 1s., the object of the Government would be gained. They would exactly know what their requirements are, and they would frame their budgets accordingly. After the closing of the mints we had a surplus with the rupee at 13*d.*; so there would have been no great difficulty in raising two or three crores more at 12*d.* to the rupee. Whilst their object would be gained, the wealth-producing institutions of the country would not suffer, for which cheap silver is essential. Sir R. Vincent, in the course of the debate, expressed his opinion that low exchange benefits exports only temporarily; but that is not so.

Mr. S. A. Ralli expressed his opinion in 1898 as follows:—"But what I maintain, and nothing will shake my conviction upon that, is that the high rate of exchange checks the development of trade and cultivation in India."

We think we can demonstrate the fallacy of Sir E. Vincent by a practical test, but we are afraid we would be making a great demand upon the minds and patience of our readers. We may, however, mention in passing that the Government now do believe, as per their despatch of 1897, that a higher rate than 1s. 4*d.*

would be ruinous to India, although at one time they wanted the rupee to be fixed at 1s. 6d.

The Government of India, recognising the probable disastrous effects of a great rise in exchange on the export trade and industries of India, gave it as their opinion: "That the true interests of India demand that any measures for attaining stability in the rate of exchange between gold and silver should be based upon a rate not greatly differing from 16d. the rupee, and that any measure which would raise the rupee materially higher than that level, involves great dangers, for which we could see no adequate compensations."

Our readers will easily see how the Government dread the rupee at a high figure, and they are quite alive to the danger of an overvalued rupee. In our opinion the same objections must, however, be held to apply to the rate of 1s. 4d., if such a rate is higher than that required by the conditions of trade. Lord George Hamilton told us that the material loss to the country owing to famines during the last three years might be safely put down at £50,000,000 whilst the expenditure on famine relief came to about £15,000,000. Let us see what loss has been inflicted on the producers in exports alone.

During the last three years we have exported produce worth about 325 crores, the loss on which comes to about £67,500,000. Our imports, exclusive of Government Stores and treasure, during the same period come to about 214 crores, the gain on which comes to about £48,750,000. Deducting this gain on imports from the loss on exports at the rate of 5d. per rupee, we have

a net loss to the country of about £19,750,000 on foreign trade. But the loss to the producer is not confined to exports only, as we mentioned in one of our previous articles. He loses heavily on the internal trade in articles such as cotton and wheat, a large portion of which is consumed in the country and the prices of which are dominated by export prices. But is there any civilized Government on the face of the globe, except the Indian Government, which cheapens imports and penalizes exports? Our producers whose individual income is computed at Rs. 20 per annum per head, hardly require any articles of imports, being too poor to buy any. But suppose they were rich enough, is it not suicidal to favour imports which are the capital, labour, and intelligence of all the world, against exports which are the product of our labour and capital? Nay, America and all foreign countries handicap imports by heavy protective duties, whilst we have placed a heavy duty on exports which is simply ruining the country which is silently and slowly drifting to bankruptcy. It is only a question of time. Gold, which we have painfully accumulated, is now remitted to England towards the payment of Home Charges to enable the Secretary of State to reduce his drawings and thus keep up exchange, but it will not last long and the day of reckoning must come. To pay for all our obligations our exports should exceed imports by 22 million pounds sterling, or, say, about 33 crores of rupees. Seventeen millions are required for Home Charges and five millions are computed to be the sum which represents the profits of foreigners and foreign commercial institutions per annum. Our exports therefore should

exceed our imports by more than 33 crores per annum before we can say that the balance of trade is in our favour.

This is our last article on the subject. We trust we have not unduly taxed the patience of our readers. The importance of the subject is our excuse. If our humble efforts have awakened some little interest in a matter of so great importance, we will consider ourselves amply rewarded. We witnessed recently a great deal of agitation regarding the Land Revenue Bill, which moved our entire Presidency to action in some shape or other, whilst on the matter of the Currency there is practically a dead silence. The difference between the two subjects is as great as between the size of an elephant and a mouse. Then why such silence? For the simple reason that there is a complete want of knowledge.

XIII.

(*Leader, "Indian Spectator" 3rd. November, 1901.*)

THE FOREIGN TRADE OF INDIA.

THE ARTIFICIAL CURRENCY.

The oft-repeated dictum that figures could be interpreted in more ways than one, and made to prove anything, may find some justification from the perusal of nearly six hundred quarto pages of the volume given to the world by the able Statistician of the Government of India, Mr. J. E. O'Connor, whose genius for giving

us dry statements of facts and figures in a readable way is undoubted.

We find from the published statements which have given satisfaction in some quarters, that the entire foreign trade of India last year came to about Rs. 207 crores, which is practically the same as for the year 1899-1900. It is only a crore less, but exceeds by the same sum the figure for the year 1898-99. In spite of the enormous material losses sustained by the country during the two famines, which come to about £50 millions, to say nothing of the £15 millions spent on relief-works, the external trade of India is not very much affected. Excluding treasure, the import trade for the last year came to about Rs. 76 crores, thus exceeding by Rs. 5 crores the highest aggregate ever recorded during the last five years. We have often repeated in these columns that the artificial rupee cannot but favour imports, and the above figures bear out our statement. In spite of famines and the general distress of the people whose purchasing power must have enormously suffered, we were able to import last year Rs. 5 crores more of merchandise than ever before. To reflective minds this could hardly be a matter of congratulation. The West of Scotland manufacturers of cotton and other goods for the Indian markets put in a brief statement before the Currency Committee of 1898, from which we make the following extract.

“ If any actual proof of the effects of exchange upon our trade were required, we could show, (1) that the years of a low or falling rupee were years of restricted out-put and unprofitable business, (2) that with the gradual rise of the rupee since 1895, a decided improvement set in, and that, too, in spite of war, plague, and famine

in India, and (3) that in particular we have benefited by the steadiness of the rupee during the present year."

What has been their gain has been the loss of our manufacturers and producers who have steadily suffered since 1895. With the increased poverty of the country, owing to the debased standard which will be felt and accentuated more and more as years roll by, the import trade will no doubt suffer also. In the meantime they have the advantage conferred upon them by the artificial rupee and they are quite right in reaping the harvest. Again, excluding treasure, our export of merchandise came to about Rs. 107 crores. This is Rs. 5 crores less than the year 1898-99, when our export trade in wheat received a great impetus, in spite of artificial exchange, owing to the failure of wheat crops in Russia. We can only expect to do well in exports if failures of crops occur in vast countries like America or Russia. Our last year's export of Rs. 107 crores is only a crore and a half below that of the year 1899-1900. The mill industry, which has been languishing since 1895, reached its climax in the year under review, when the exports shrank from the average of about Rs. 825 lacs to Rs. 570 lacs. But this is not their only misfortune, Every bale of yarn shipped was a dead loss to the manufacturer, and for all practical purposes this item of Rs. 570 crores might be eliminated from the total exports of Rs. 107 crores. Regarding the export of tea, both as regards quantity and value, it was considerably in advance of late years. The export of tea came to about Rs. 9.45 crores. The planers, too, like the manufacturers, can hardly congratulate themselves on the result of their vast exports which have brought them

very little money. They, too, had to cultivate their plantations at a great loss. People not acquainted with business often express surprise at the manufacturers and planters increasing that output in spite of losses. Mills and plantations are not like railway trains, pulled up and brought to a dead stop at pleasure. They have laid out millions of rupees on plants etc., and reducing the output means extra cost of production per lb. We in Bombay know that to stop a mill containing about 40,000 spindles means a loss of about Rs. 8,000 a month in fixed charges, such as insurance, interest on working capital, salaries of officers serving under agreement, etc., to say nothing of the loss inflicted by the deterioration of machinery consequent upon stoppage. Another item of export which could not have added any wealth to the country, and which could only be contemplated with feelings of profound sorrow, is the trade in hides, which shows an increase of nearly Rs. 6 crores during the last two years. Whilst the import trade which aggregated to about Rs. 76 crores, brought wealth to the producers of foreign lands, our export of Rs. 107 crores was carried on at anything but profit. The two items only, *viz.* tea and yarn, come to a little over Rs. 15 crores, which was dead loss to the producers, to say nothing of the trade in hides. When people talk of the export trade having reached the normal figures, they must pause to consider whether the producers have reaped any reward for their capital, labour, and industry. But taking the figures as they stand, *viz.*, Rs. 76 crores for imports and Rs. 107 crores for exports, let us see whether there has been any balance in our favour. Deducting imports from exports, we have a balance of

Rs. 31 crores. Deduct £ 17 millions for Home Charges and £ 5 millions more, being the savings and profits of European and commercial institutions working in India with sterling capital, we have an aggregate of £22 millions, or about Rs. 33 crores, which had to be paid for by shipments of produce. So we were actually on the wrong side by about 2 crores of rupees, to say nothing of the losses of the producers to which we have already referred above. As stated in the previous part of this article as to the satisfaction expressed in some quarters at the total figures of the external trade of India, our readers will easily perceive that our opinion is quite different, and our interpretation of the different items which go to make up the total export of 107 crores, anything but optimistic. The export trade of Egypt a country which has been rescued from anarchy and poverty by the genius of Lord Cromer, comes to about 30s. per head, whilst our export trade comes to about 4½s. Our export trade has exceeded our imports last year by 31 crores, the whole of which has gone in payment of Home and other charges, whilst America, with one-fourth of our population, had an excess of exports over imports to the extent of 54 crores dollars last year, a dollar being equal to Rs. 3½. We are often reminded that our country is being rapidly developed by irrigation and railway works, and that we have now 25,000 miles of railway for a population of 300 millions. We admit that, but compare these figures with those of America, with a population of 75 millions and a total mileage of 200,000 miles. With vast and cheap facilities for transit by land and sea, with a virgin soil and an educated population thoroughly upto date in everything, with

extensive use of fertilizers for the raising of crops, and the use of steam for purposes of agriculture, is it a wonder that America is now indisputably the granary of the world, whilst our half starved ryot, without culture and education, ignorant and superstitious, cultivating his patch of ground as his ancestors did two thousand years ago, without means and without help and groaning under the load of a debased standard, is placidly asked to compete against America? Small wonder then that, groaning under heavy disabilities, he collapses at the least approach of scarcity. Nature came to his assistance by giving him cheap silver, and but for the act of man denying him this boon, he would no doubt have made some stand against the favoured agriculturist of America. The wealth-producing institutions of the country must shift as best they can under the burden of a debased standard, and they must carry on their multifarious operations consistent with the maintenance of the (16*d.*) rupee. The boon of English cheap money for developing the country, which we have been so often promised, is not yet forthcoming. We in Bombay know that it is not easy to get accommodation for our industries. Debentures which were selling at about 5 per cent. premium, are now at between 20 and 30 per cent. discount. Mr. S. A. Raili, in answer to a question by the Currency Commission of 1898, said : " It is an erroneous idea, I think, to suppose that there will be a great flow of capital from England into India owing to fixity of exchange. If there are good investments the capital will go there even with a fluctuating rate of exchange, not otherwise. The proof that the fixed exchange has not for its consequence a

flow of capital is this : for instance, you have fixed exchange between England and Ireland, still English capital does not flow to Ireland, because it does not find any remunerative employment." We have repeatedly drawn the attention of our readers to the all-important subject of a debased standard, but we are constrained to admit that we have made no impression yet worth the name, and for all practical purposes we might have just as well preached in the desert of Sahara. There is no blindness so hopeless as that of those who will not see, and we are inclined to agree with Mr. J. E. O'Connor, who, in answer to a question by the Currency Committee of 1898, said : " We have never found any reference to anything like dissatisfaction as arising out of the closure of the Mints. Ever since 1893 there is really no reference to any thing of the kind except now and then in one or two Bengali papers, which wrote about the matter in a very ignorant manner."

We are sometimes told that do what we may, the Government of India will not open the Mints as it benefits them, nor will they ever consent to fix the rate at 12*d.* per rupee. Possibly that may be so, but is that a reason for our ignorance on the subject which we most emphatically say, does prevail in quarters which ought to be better informed than they are, and to find out the truth of our statement one has simply to compare the agitation on the Land Revenue Bill, and the death like silence which has always prevailed about the debased standard ?

XIV.

(Leader "*Indian Spectator*" 8th December 1901).

**LORD GEORGE HAMILTON AND
"PROSPEROUS INDIA"**

Of late the Secretary of State for India is missing no opportunity of repeating his dictum that the Indian Treasury is overflowing, and that this is a sure sign of India's prosperity. We are aware of the exultant tone adopted by his Lordship recently in the House of Commons at the time of introducing the Indian Budget. Reuter now informs us that his Lordship, speaking at Acton, once more paraded the so called prosperity of India. We on the spot are only too familiar with our manifold misfortunes, and we could scarcely be said to be out of the grip of plague and famine even now. In India of late there has been a great outcry against the terrible losses inflicted on the producers by the curse of the Currency Legislation of 1893 which inflicts a loss on the producer of 5*d.* on every 16*d.* We have repeatedly urged in these columns that it is only the crushing indirect tax which is being levied owing to the artificial rupee that simply fills the Treasury to overflowing. One might just as well double the Income-tax in England and raise more money hereby, and say that the country is prosperous because more money has been got out of the pockets of the people. We will put before our readers two simple figures, *viz.*, about 27 crores representing land assessment, and about 9 crores representing

salt-tax, making in all about 36 crores, which at the rate of 11*d.* to the rupee would come to about £16,500,000 but which at 16*d.* would work out at about £24,000,000 or a rise of about 30 per cent. Now with an open mint the producer would have sold a certain quantity of his produce to realize £1,65,00,000. But at the rate of 16*d.* to the rupee, he has got to pay £2,40,00,000 and this he can only obtain by selling a larger quantity of produce, because he has got to provide for extra payment to the tune of £7,500,000. If you don't call this extra taxation, what is it? Sir Theodore Hope, K. C. S. I., C. I. E. in answer to a question by the Currency Committee which met on December 3rd, 1892, said : "I had put down that I considered that these recent Currency devices, such as the closing of the Mints, are taxation in another form. They are to my mind simply a kind of indirect taxation, by which the burden which is now borne ostensibly in the shape of exchange would be transferred to the Indian people under another name and another system. What I particularly think about them is the political danger, that they would do all I have anticipated in an impalpable mysterious sort of way—a way that would be quite unintelligible to the ignorant masses who would be perplexed by the fall in the value of produce throughout the country without knowing exactly to what to attribute it, and there would be a vague feeling of uncertainty and apprehension as to the future which might become extremely serious." We have repeatedly urged that the Currency Legislation was initiated in hot haste, and under a misapprehension. Surprise is expressed in

some quarters as to why the Herschell Committee fell in with the views of the Indian Government. They have been bullied into this measure under the threat that if the Mints were not at once closed, the Government of India would declare its bankruptcy, although we now know that the Indian Government had a surplus in 1894-95 with exchange at 13*d.* to the rupee. Most of the Europeans and Anglo-Indians have applauded this measure for reasons which are quite apparent, but to the producers it has been a source of great misfortune. We are sometimes asked why India should not prosper under a large token currency, and the example of France is held before us where 5-franc silver pieces are unlimited legal tender, and command the same value as gold. Those who put before us the example of France, a rich intelligent country that has large natural resources and has lent millions to foreign nations, show their own ignorance. India as a country is as remote from France as the North Pole is from South Pole. Mr. H. L. Raphael a foreign banker of note in London, of fifty years experience, in answer to a question put by the Currency Committee which met on July 12th, 1898, said as follows:—"It appears to me that the Government is practically indifferent to all considerations other than maintaining exchange at 16*d.* No doubt they can do it for the time being by squeezing the money market, but it would be at the cost of the prosperity of the country. They say in chapter 21, 'If we do what we want, we shall then have practically a currency similar to that of France.' Can anything be more absurd? The French have practically a gold currency. The 40,000,000 sterling of silver at the bank of France will lie there perhaps

till Domesday, but if it were thrown in the sea, France would not be the worse for it." We are sometimes told that whatever harm the Currency Legislation may have done when it was initiated, prices have adjusted themselves now, and any change with a view to lower the artificial value of the rupee would do more harm than good. In discussing such opinions we are placed at a great disadvantage. If they would only venture out of their shells and write to the press, giving reasons for their opinions, we may have a better opportunity of dealing with them. In a cause like this of national importance all who are entitled to speak, must do so publicly. We will, however, deal with the matter as best we can. We do believe that prices have adjusted themselves, but at whose cost? At the cost of the producer. From a merchant's point of view things are settled, and he can trade with less risk. We, however, don't see any logic in making the trader's profit more secure and sending the producer to the wall. We would prefer a temporary loss inflicted on merchants rather than perpetuate the wrongs of the ryot. Perhaps, it is not generally known that our Government has never undertaken to maintain the rupee at 1s. 4d., and although this belief in the maintenance of the 16d. rupee is indirectly encouraged, they have taken good care to put it down in writing that they are not wedded to the 16d. rupee, and that they are at liberty to alter the ratio any time they like. We make the following extract from a deliberate statement of the policy of the Government of India which was made in the Legislative Council at the time of introducing the Bill for the closure of the Mints: "The object of

providing for the issue of rupees in exchange for gold at 16*d.* to the rupee was to prevent any great and sudden rise of exchange, and the Government did not undertake either to establish 16*d.* per rupee as the permanent ratio of exchange between gold and the rupee, or to establish any other permanent ratio immediately or within any specified time." Thus the reader will see that the Government is not wedded to the present ratio, which could be lowered and will have to be lowered ultimately, in the interest of the country, as no civilised Government would afford to see the wealth-producing institutions of the country to be permanently ruined. We however, think that the loss to the merchant could be easily avoided. The Government now hold the key to the situation, and they could easily let down exchange gradually to 12*d.*, say, within twelve months. It was urged in the House of Commons by Sir R. Vincent that low exchange does not permanently benefit exports. We say, it does. Mr. S. A. Ralli and Sir F. Forbes Adam, C. I. E., have maintained throughout that low exchange encourages production and stimulates the export trade, because it enables the producer to get a better price for his produce, and it enables India to compete with other countries which are at a higher range of development. We will, however, take a concrete case. Those who maintain that low exchange does not permanently benefit exports mean this, that if produce, say, for instance, cotton, is selling at 4*d.* per pound in Liverpool when exchange is at 16*d.* to the rupee, it would fall in value to say 3*d.* per pound, if exchange goes down to 12*d.* to the rupee. Now any merchant knows that the price of produce is regulated

by the question of supply and demand, and the price of cotton or wheat would depend upon the crops of largely producing countries like America. Our Indian crop of cotton is about 32 lakhs of bales, or 16 lakhs candies annually, one candy being equal to 784 lbs. We require 20 lakhs of bales for home consumption, and the balance of 12 lakhs is exported. If exchange falls, which would stimulate exports, it is urged that large quantities of cotton being shipped to Europe, would cause a fall in the gold price of cotton in the European markets. As we have shown above, we require 20 lacs of bales, and we cannot spare more cotton for exports, and if 50,000 bales more are shipped, surely that cannot have much effect on prices. The entire consumption of cotton in the world is computed at 145,00,000 bales. out of which the American crop comes to about 105,00,000 annually. So, if under the stimulus of low exchange a small quantity is shipped over and above the usual quantity, it seems to us incomprehensible how it is possible that a small quantity can ever influence the entire cotton produce of the world, because it is impossible to conceive that the low exchange can lower the price of Indian cotton without affecting American cotton.

XV.

Leader "Indian Spectator" 15th December 1901.

LORD GEORGE HAMILTON AND PROSPEROUS INDIA.

We think we have made it quite clear to the reader that the Currency Legislation is proving ruinous to the

wealth-producing institutions of the country. We have also shown how crushing it has been to the tax-payers whose taxes have been indirectly enhanced by about 30%, a thing which has been going on for years and in times of unprecedented calamities. We have always urged in these columns that there was no necessity whatever for closing the mints and over-valuing the rupee to an enormous extent. Whatever justification there may have been for fixing the rupee at 16*d.*, our rulers knew that they were able to balance the budget for the year 1894-95 at 13*d.* to the rupee, and that fact being before them, the Government were hardly justified in putting up the rate to 16*d.* by squeezing the money-market which was starved up to recently for the want of an adequate number of rupees. The object of the Government in putting up the rate to 16*d.* was nothing else but to squeeze more taxes out of the tax-payers. The object of levying taxes by a civilised Government is to raise enough money to meet their requirements. That object was fulfilled by the rupee at 13*d.* By putting up the rupee to 16*d.* they have raised all taxes by about 18% over and above their requirements. Is this sound finance? No doubt, we are told that the heavy famine expenditure was met from the revenue. This expenditure has been computed by the Secretary of State at £15,000,000 sterling during the last two famines, to say nothing of the growing surpluses which are now obtained from year to year. May we ask whether there is any civilised Government on the face of the earth which would indirectly tax its people to the tune of 18% annually over and above its usual requirements and that too in times of distress, and yet ask the whole world to bear witness to their

enlightened rule ? This unfortunately our Indian Government has done. This state of affairs can only be tolerated in a country like India, where the masses are helpless and ignorant. In our series of articles on this subject, we have not wasted our breath in discussing the Home Charges, nor have we said one word about the heavy expenditure entailed by our civil and military establishments. We are thoroughly alive to the manifold advantages of the just British rule in India which is the only rule possible. We have not complained of the exchange compensation given to the services, which we believe to be an act of justice and moral obligation on the part of our Government. We are aware that in Ceylon the pay of European Government-servants is about two-thirds when compared to ours. Although we would prefer an open Mint, still, if it is desirable to have a fixity of exchange, we think it would be fair to fix it at 12*d.* to the rupee, at which figure there would hardly be any deficit, as there was a surplus at 13*d.* Mr. S. A. Ralli who has strenuously opposed the closing of the Mints in answer to a question by the Currency Committee which met on the 11th July, 1898, said as follows :—"I cannot disconnect the exchange from the gold standard. I think, if you have a gold standard in India, and if you have a sufficiently low rate of exchange of gold into rupees and rupees into gold, in order to develope and extend the trade of India, certainly I am not against a gold standard."

Our readers will thus perceive that Mr. Ralli is in agreement with us. Of course if the object of our Government is to levy heavy indirect taxes, then our

plan would not suit. We have urged in these columns that the currency policy favours imports temporarily. Mr. Ralli was asked that when exchange fell from 16*d.* to 14*d.*, did not the people who purchased piece-goods in India pay more rupees for them? In fact they lost 2*d.* per rupee. The answer given by Mr. Ralli would be found interesting :—"Messrs. Grahams who are people of very great capacity, and whose business is in imports, are in favour of re-opening the Mints, because they say, if we have large exports owing to a low exchange, the Natives of India will make a profit, and by the profit which they make, not only they extend the cultivation, but they increase their power to buy imports. When exchange is high, we sell more piece-goods, but that is a temporary advantage; and as we see from the statistics, when exchange was falling, our business in piece-goods was rising year by year." We trust our readers will find that we have discussed this all important subject from time to time in all its bearings, and if we have awakened some interest in the intelligent public in the Currency question, we will consider ourselves amply repaid.

THE DUTY ON TEA.

Since 1897, when the rupee was ultimately forced up to 16*d.*, our readers are aware that very many industries of India have been on the decline, and one of the industries to suffer disastrously is the tea industry, which is going from bad to worse. Some time ago a letter was addressed to the *London Times* by one

of the greatest economists of England, Sir Robert Giffen, who recommended a further increase of duty on tea as a means of raising more money for the purposes of war. His recommendations have been supported by the *Times*. This has, no doubt, made the tea planters in India and Ceylon unfortunately very uneasy, and they look upon this further increase of duty as the last straw on the camel's back. Reuter has informed us by wire, which was received in Bombay on the 5th instant, of the interview which a deputation of those interested in the tea industry had with the Chancellor of the Exchequer. Sir Michael Hicks-Beach assured the deputation that he was quite aware that any measures taken by the growers in the direction of stopping over-production and improving the character of the tea would mean undoubtedly checking consumption, throwing the burden on the masses, and increasing the cost of the article already very highly taxed. In one of our articles on the artificial currency we have firmly maintained that if, under the stimulus of a low exchange, the planters have profitably increased the output, they have committed no crime, as the British workman reaps also the benefit by paying less for his tea. It is urged on behalf of Government that the artificial rupee is not responsible for the pitiable condition of all our industries, but it is the over-production. We have strenuously fought against this dictum, and we have maintained, and do maintain, that the charge of over-production should not and cannot be laid at the doors of the planters and manufacturers so long as they have got to oust from the markets of the world their rivals who are competing against them. China and

Japan to-day are exporting as much tea as India and Ceylon. So under the stress of circumstances brought about by a debased currency, if our planter is obliged to curtail production, he simply makes room for China and Japan. Producers all over India must awake to the cardinal fact that the currency policy has enormously handicapped them. For every sovereign worth of produce exported our rivals get about Rs. 22, whilst we alone are doomed to receive Rs. 15. How is it possible for our producers to stand against such a disadvantage? Increased tea duty as recommended by Sir R. Giffen will be a fleabits to our planters, because our rivals will be no better off, and, after all, it will be the consumers who will have to pay. But what breaks the back of our planter is the artificial currency, and his best efforts ought to be directed towards redressing this wrong, which inflicts upon him enormous losses. Last week a tea estate of 1,000 acres, costing £ 10,000, was sold by auction in Calcutta for £ 350. Officials evidently do not love planters. One high official, who was interested in the tea industry, declared before the Currency Committee that he wished he had not seen tea out of a tea cup. Mr. J. E. O'Connor, C. I. E. in answer to a question about oil seeds, said that he was not afraid of the competition of the Argentine Republic. "If oil seeds in India were cultivated by European planters, we should no doubt have heard as much about them as we have heard about tea. The natives go on happily producing and selling." It means this, that the intelligent English planter complains about his ruin and consequently he is not liked, but the poor native ryot, ignorant of his doom, goes on cultivating his fields and

ascribes his poverty and misery to "kismet." And, as if all the loss inflicted on the tea planter by the artificial rupee was not enough for him, an act was recently passed by the Government raising the cooly's wages from Rs. 5 to $5\frac{1}{2}$ per month. His wages have been already indirectly raised about 30 per cent, because every rupee paid to him by the planter is at the rate of 16*d.* instead of 11*d.*, and whether this benefits the recipient or not, is not of much concern to the planter, for he is made to pay all the same. Although we consider Rs. 60 a year a poor wage, it does not compare unfavourably with the Rs. 20, which, on the authority of Lord Curzon, is the annual income of an agriculturist, and we are quite sure that the condition of the coolies would not be very much improved by ruining the planter, who has got to pay his wages in an appreciated rupee; in fact he has been now made to pay an increase in wages from Rs. 5 to Rs. $5\frac{1}{2}$. The Congress that met recently at Calcutta passed a resolution protesting against the artificial currency, which, it says, has proved detrimental to agriculture, plantation and manufacture, and the same Congress passed another resolution thanking the Government for raising the coolies' wages. We look upon the latter resolution of the Congress as extremely injudicious, for it shows little knowledge and less sympathy for the planters whose only fault is that they are Englishmen. A great deal has been said and written about the average income of an Indian ryot. Mr. William Digby. C. I. E., in his latest work "Prosperous British India" says that in 1850 it was 2*d.* per head. In 1880 it fell to $1\frac{1}{2}$ *d.*, and in 1900 it was only $\frac{3}{4}$ *d.* per day. His Excellency the Viceroy recently declared that the

income of a royt was Rs. 18 per year in 1880, and that in 1900 it was Rs. 20. Even accepting his Lordship's figures we find that in 1880 with the rupee at 1s. 8d. his income came to 360*d.* per year. In 1900 with exchange artificially enhanced to 16*d.* per rupee, his income works out at 320*d.* per year, but, taking the true value of the coin at about 11*d.*, and his annual income at about Rs. 20, the latter works out at 220*d.* per year; so even on the Viceroy's own figures it appears that the ryot's income has fallen from 360*d.* in 1880 to 220*d.* in 1900. We have often urged that the artificial currency has enhanced taxation to the extent of about 30 per cent., so we need not further expatiate on the subject. We will only quote from the "Statist" of the 5th. November, 1892. "If the purchasing power of the rupee were raised 20 per cent., the land-tax would be raised in exactly the same proportion and all the other taxes payable to Government would be likewise raised. We would ask any sane man whose brain has not been addled by currency disquisitions beyond his capacity, whether this is a project that ought to be listened to for a single moment, and whether it is to be thought of that the whole strength of the British Empire should be used to impoverish the hard-working millions and to enrich usurers and Government officials?" We are told that there will be a substantial surplus, something like 10 crores for the year, and we would not be surprised at the figure, as we pay in indirect taxation something like 33 crores more per year.

POVERTY OF INDIA AND THE HOUSE OF COMMONS.

On the 3rd February a very interesting debate took place in the House of Commons on behalf of the famine and plague-stricken peasants of India. Mr. Caine made a stirring appeal to British Politicians in a long but lucid speech which has evoked in India considerable interest and approbation. The burden of Mr. Caine's song was that the ryots were not only getting poorer, but were steadily sinking into such abject poverty that with all the good will in the world on the part of the British Government the majority would seem to be past all relief. He attributed this sorry state of affairs to the objectionable economic policy of the Government on the one hand and the crushing load of debt which the ryots owed to the money-lenders on the other. Taking the country at large this debt is calculated at £230 million sterling, which, in his opinion, could be extinguished by a money payment of 200 millions. On the authority of the late Sir William Hunter, he urged that even in normal years a large proportion of the population was on the verge of starvation. He strongly recommended a large expenditure on irrigation works in preference to railways, but, above all, he maintained that it was absolutely necessary to relieve the burden of Home Charges by a larger employment of the children of the soil and a reduction in the British Army. Within the last two years more than thirty thousand Indian troops had been employed outside India for Imperial purposes

which conclusively proved that a poor country like India was compelled to maintain a larger army than she actually required or could pay for. It is with no small satisfaction that we see for the first time a member of the House of Commons having the courage and intelligence to speak out that one of the causes of the extreme misery of the people was to be sought in the most mischievous currency policy of the Indian Government since 1893 which has turned deficits into surpluses as far as the Government is concerned, but which to the people of India at large has brought nothing but ruin. We will say something about the artificial currency later on. Mr. Caine laid great stress upon official reports on the economic condition of the masses of the Bombay Presidency. On the authority of Sir J. B. Richey he affirmed that a considerable portion of cultivators do not get a full year's supply of grain from their fields; yet Government exacted from them in land dues from 1895 to 1900 an average of 26 crores per annum, in spite of famines, against $24\frac{1}{2}$ crores during the previous five years, when there was no famine. With reference to the income of the ryot, he said that, according to Mr. Digby, it had fallen from 2*d.* per day to $\frac{3}{4}$ *d.* per day in 1900. On the authority of Lord Cromer and Sir David Barbour it had fallen from $1\frac{1}{2}$ *d.* in 1880 to $\frac{3}{4}$ *d.* in 1900, but that was not all. Although Lord Curzon only recently declared that the annual income of the ryot has increased from Rs. 18 in 1880 to Rs. 20 in 1900, Mr. Caine said that, taking the average of prices of common grain like jawar, bajari, raji, grain and barley, they were just 45 per cent. higher at the time of Lord

Curzon's Rs. 20 income than they were at the time of Lord Cromer's Rs. 18. In plain language, in 1900 the purchasing power of the rupee had fallen about 45 per cent. since 1880. Mr. Caine has laid the whole of India under a deep debt of gratitude by his able and sober speech which cannot but bear fruit in the near future. To all his statements, however, the Secretary of State gave a feeble rejoinder and once more averred that a country could not be considered sinking in abject poverty when its finances are going up by leaps and bounds in spite of heavy expenditure on plague and famines. Our readers are, by this time, familiar with our views as to how these surpluses are obtained, namely, by putting a false value on the coin, which has enhanced the value of the rupee by a third. Our contemporary, the *Times of India*, in an able leader which appeared on the 24th February so well hits off the situation that we take the liberty of quoting it here. "Lord George Hamilton is too fond of jingling his surpluses in the face of a population who in their own daily lives are more conversant with deficits than with surpluses. It is not by any means such a preposterous thing as he conceives it to be that serious and wide-spread poverty should synchronize with the seeming prosperity of the State finances. That this can be permanent no one would pretend, for in the long run the State itself must share to the full in the distress of its subjects." We are all in India familiar with the distress of the peasants, the planters, and the manufacturers. Mr. David Yule, at a meeting of the Bank of Calcutta, Ltd., said that the tea industry was at a very low ebb. An estate of 1,000 acres, with

250 acres under tea, was sold at auction in Calcutta recently for £350, which must have probably cost £10,000. He was of opinion that the industrial activity in India was very effectually nipped by the Legislation of 1893. We in Bombay know too well that although cotton is as cheap as ever, 14 miles are closed and are awaiting liquidation. One brand new mill, which commenced work barely six months ago, was knocked down at an auction recently for £4,000, the original cost being £100,000.

POVERTY OF INDIA AND THE HOUSE OF COMMONS.

Last week, while commenting upon the speech of Mr. Caine, delivered recently in the House of Commons, we gave out on his authority that the Government of India received from the ryots during the last five years ending 31st March, 1900, land assessment on an average of $1\frac{1}{2}$ crores, or a million pounds sterling, more per annum than during the preceding five years, although during those years India was not distracted by plague or famines. But that is not all. This extra assessment of a million pounds sterling per year was obtained out of a smaller area irrigated. In the five years from 1890 to 1894 the average area cultivated was 192 millions ; in the five years from 1895 to 1900 the average area was 188 millions. But the most distressing part of the whole business is the effect of the artificial rupee on the land assessment, which on an average came to about 26 crores of rupees per year. With an

open mint and the rupee at 11*d.* the ryot would have given £12,000,000, but at the rate of 16*d.* he is made to give £17,300,000. The difference comes to £5,400,000 per year, and reduced to rupees it is about eight crores more per annum of artificial rupees. If, however, a pound sterling is calculated at its intrinsic value which would be about Rs. 21 to the sovereign, the extra payment of £5,400,000 would come to about 11 crores a year, and this has been going on for years. Is there any surprise if the lot of the ryot is more wretched than ever?

The reader will have some idea of the havoc caused by the debased rupee, and, although Lord George Hamilton's surpluses may be growing and continuous, at what terrible cost are they obtained? Referring to these much belauded surpluses, Mr. Caine said, "These surpluses, which give the noble Lord such reasons for pride, are one of the main causes of that poverty of the Indian peasant which like those surpluses, is large, continuous, and progressing." We are aware of the heavy fall which has taken place during the last 25 years in Great Britain and Ireland in the rent roll of landlords there. This fall has been variously estimated at between 30 and 50 per cent., whilst on the other hand in India our Government which is the chief landlord, has been able to get more out of its land assessment. And what was it that has given the Indian Government such a heavy rent-roll? It is nothing else but the much abused rupee which has gone down in value in relation to gold. It is often said that this over-valuation of the rupee was sanctioned by two commissions which sat in 1892 and in 1898, and that they have approved of this

course against which we have been so strenuously fighting. No doubt they have done so under a misrepresentation. We don't say for a moment that the misrepresentation was wilful, but the subsequent event which followed the closing of the mints conclusively prove that the Government of India egregiously erred in its representation to the Commission in 1892 that if the mints were not closed and the rupee not artificially enhanced, the Government of India would be practically bankrupt, as the full limit of taxation had been reached. We have since seen that with the rupee at 13*d.* in 1894-1895, we had a surplus. Not only was the Government not bankrupt, but the people were not so either. But what is the state of affairs now? The people's pockets are empty, industries are ruined, and although the treasury is full, it is paying out large sums of money for the relief of the starving peasants. We have repeatedly shown that with an open mint and the rupee at 11*d.*, we would have required about Rs. 5 crores more per year as we had a surplus at 13*d.* We once more repeat that if fixity of exchange, gold standard and gold currency, by which the Government lays great store, are so essential to our prosperity, surely that object could be obtained by fixing the rupee at 12*d.* A little over-valuation of the rupee the country can stand; but at the present over-valuation of the rupee, which is about 35 to 40 per cent., we are afraid our back will be broken, if it is not already broken by this time. Another evil which has been of late years growing is the forged coin. The cases detected by the police as shown by official returns are increasing every year, but when one case out of a hundred of counterfeiting

coins is brought to light, ninety-nine must remain undetected, and in this also the poor ryot must suffer most, as his ability to detect a false coin which is made of silver cannot be very great.

THE INDIAN CURRENCY.

TO THE EDITOR OF THE TIMES OF INDIA.

Sir,—Your correspondent, "Fact not Fiction," falls foul of the opinions expressed by the Honourable Mr. Moses at the recent annual meeting of the Bombay Chamber of Commerce regarding the evil effects of the artificial currency on the country at large. I need hardly say that I agree entirely with Mr. Moses. The bogey of overproduction is too constantly thrust before our eyes to escape notice, and if all the misfortunes of the producers are to be attributed to that cause, of course we would be wrong in blaming the debased rupee. Overproduction is an evil not confined to India alone, but is also very common in more civilised countries, and it will last till the crack of doom. The question to be asked is this: whether the Indian Government, who are rolling in wealth, all merchants and bankers, all professional classes, all rich people, European or Native who are now able to add to their wealth owing to their ability to purchase a sovereign on the the cheap, namely at Rs. 15 instead of Rs. 22, are adding to their wealth at the expense of the country at large? If they are not doing that, it is a great pity that the Indian Government which discovered this gold mine of the artificial rupee so far back as 1875, should have been prevented by the Home Government all these years

until 1893. We are told that, after the closing of the mints, the mills did remarkably well. This is correct. But I find on reference that the rate of exchange for 100 dollars was Rs. 190 in 1895. This was our best year. We have lost ground since. In 1896 it fell to about Rs. 180, in 1897 to about Rs. 156, and since then it has continued to fall, and now it is Rs. 133. That the manufacturers will recover ground I do not doubt at all, because since 1897 there has been complete arrestation of progress. Moreover, several mills still remain closed. Compared to our rivals we have only one disadvantage, namely, labour, which we are paying at the rate of 16*d.* instead of 11*d.* On the other hand, we are getting cotton, coal, stores at a cheaper rate than we would have obtained with an open mint and the rupee at 11*d.* How detrimental the currency legislation is to the producers at large will be illustrated by a quotation from the speech delivered by Sir George Cotton to the mill-owners on the 7th July 1893. "The decline in exchange from Rs. 221 to Rs. 191 is 14 per cent., but as the closing of the mints is likely to keep the rupee in the neighbourhood of 1*s.* 4*d.* instead of 1*s.* 2½*d.*, the rupee price of cotton, coal and stores, should be 9 per cent lower under the former exchange than it would, were the latter rate ruling, so that we should gain 9 per cent. in the cost of cotton. Had Government not closed the mints, and had exchange gone down, we will say from 1*s.* 2½*d.* to 1*s.*, we would have been in as bad a position, as our cotton would have cost us 16 per cent. more." Now, Sir, this loss of 25 per cent., as mentioned by Sir George, is the tax the miserable grower of cotton pays at the altar of the currency legislation.

Let me give another illustration to show how subtle are the effects of this artificial rupee. In the *Capital* of the 6th instant a paragraph appears under the heading : "Current Coin." It is with reference to Indian coal : "So confident are the dealers in Welsh coal of the soundness of their trade, that besides the immense stocks of their commodity now on the Bunder, there are at present some 70,000 tons of Welsh and English coal (equal to, say, 90,000 tons of Bengal coal) now on the way out to Bombay. This state of matters ought to furnish colliery proprietors and railway and steamship companies in India with food for thought." Now, Sir, it is a fact that we have all commenced to buy English coal which is better and somewhat cheaper now than Indian coal. But what makes the English and Welsh coal compete against the Indian coal ?, the artificial rupee which gives them an advantage of about 35 per cent., and thus displaces our capital and labour invested in coal mines. Coming back now to the yarn trade, you have in your able leader which appeared some time in August last, drawn our attention to the fact that Japan yarn in Hankow has increased during the last seven years twelve hundredfold, whilst we have remained stationary. The bugbear of overproduction is only a half truth, which, as Carlyle has said, is worse than a lie, because it is so deceptive. We are also reminded a little too often about our misfortunes owing to plague and famine. To my mind the greater plague is the currency legislation, and the more dreadful famine is the famine of rupees.

JAMSETJI ARDASEER WADIA,

Bombay, 19th March 1902.

THE INDIAN CURRENCY.

To the Editor of the times of India.

SIR,—Your correspondent “ Fact not Fiction ” is evidently satisfied with my letter, because in his opinion I have proved his case. Where that comes in I do not see. What I said was, that with China Exchange at Rs. 190 per 100 dollars we were all right, not since. In other words, an over-valuation of the rupee to a limited extent, say from 10 to 15 per cent., is permissible, but not about 40 per cent. which is the present over-valuation. I am not one for either robbing the producer or the labourer. If the ryot got 30 per cent. more for his produce from the manufacturers, his ability to pay a higher price for our production will be ample. Moreover, whatever be the price we paid him, we would be quite sure that with an open mint our rivals would have no advantage. As regards robbing labour by paying 11*d.* to the rupee instead of 16*d.*, your correspondent shows only his ignorance. It is the currency legislation which is robbing labour by compelling us to close our mills. If more mills were projected, would they not find employment for labour? Mr. David Yule the other day advised the tea-planters to give rest to their bushes. Will that help labour? Now, Sir, the real enemy of labour is the 16*d.* rupee and its advocates. Sir James Caird, as a Famine Commissioner, declared that twenty millions of adult males were wanting work for a great part of the year throughout India. Will they be helped by the misfortunes of the planter and the manufacturer? We are constantly twitted about

over-production, and to give it the lie, I quoted your interesting leader of August last, about the Hankow trade, which gives no evidence of over-production at any rate. As half-truths are very deceptive, so imperfect knowledge is worse than ignorance. Perhaps it is not generally known that Government is not wedded to a 16*d.* rupee. Sixteen pence is the maximum, the minimum may be anything. And I am of opinion that the time has come either to reopen the mints, as advised by the Manchester Chamber of Commerce, or lower the ratio from 16*d.* to 11½*d.* as Japan has done.

JAMSETJEE ARDASEER WADIA.

Bombay, 21st March 1902.

CURRENCY AND PRICES.

To the Editor of "Capital."

SIR,—In your issue of the 6th inst., "X" has criticised Mr. Cecil Belfour Philipson and myself as regards our opinion that the artificial rupee inflicts a loss on the producer by lowering the price of his produce. "X" does not think so, because Mr. O'Connor's figures as regards prices in the last trade review show no variation in prices for the six years. Now this statement proves

nothing at all, because practically since 1896 the rupee has been kept up more in the neighbourhood of 16*d.* than 11*d.* In fact, since 1897 it is practically 16*d.* Mr. Caine declared the other day in the House of Commons that from official returns prices of produce have gone up 46 per cent. since 1880. Is the English farmer or the American producer selling produce to-day, such as cotton and wheat, 46 per cent. higher than in 1880? Nothing of the kind. Then why have we gone up? Simply owing to the falling rupee. I will, however, give "X" some indirect evidence in support of my contention. The Government of India in 1886 in a despatch to the Secretary of State gave as their deliberate opinion that the falling rupee has greatly benefited the producers. In another despatch in 1897 they emphatically declared that a higher rate than 16*d.* would do incalculable harm. Commercial men like Mr. S. A. Ralli and Sir F. Adam, C.I.E., have strenuously maintained that a low rupee was of the greatest benefit to the producers. "X" says that the prices depend upon the question of supply and demand. Whoever questioned that? But what I maintain is this, that, all other conditions being equal, the producer will get 25 per cent. more for his produce at 12*d.* to the rupee than at 16*d.* This is evident enough on the face of it. But "X" says that the buyer in Europe will not pay us the same price. What he means is this, that if Indian cotton is selling at 4*d.* per lb. in Liverpool with exchange at 16*d.*, it would sell at 3*d.* per lb., directly exchange falls to 12*d.* Now this is to my mind an absurd statement. We are not large producers, and our prices are regulated by the prices of large producing countries like America. Every day in Bombay cotton rises and falls

according to the telegraphic intelligence from America. It may be that owing to a fall in exchange we may be able to put a larger quantity of produce on the foreign markets, but that would lower prices only slightly, and it may take years to do that. I will make my meaning more clear by an illustration. Take the average crop of cotton in India. It is about 3,200,000 bales. The American crop is $10\frac{1}{2}$ millions ; Egyptian, Brazilian and Chinese cotton will be about $1\frac{1}{2}$ millions. So against our three millions we have twelve millions of foreign cotton. We consume about two-thirds at home, and are regularly shipping the rest. Now supposing that under the stimulus of a falling exchange we shipped a lakh of bales more, do you think that this extra quantity would affect the twelve millions of outside cotton ? I should think not. Indian cotton will not fall without affecting American cotton. I quite believe that a low level of the rupee would stimulate production of cotton, as it has stimulated the production of tea and yarn. I do not believe in the cry of over-production. With a rupee at 11*d.* we would have sold every pound of tea and yarn at a profit, as we would have replaced the tea and yarn of China and Japan. As regards tea we have ousted them from England, and a 11*d.* rupee would have helped us to oust them from the other portions of the globe. Exception is also taken to my contention that taxes are indirectly raised by the closing of the mints. If the Government is buying an article at 11*d.* and selling it to me at 16*d.*, am I not paying 5*d.* more ? Formerly if I had to give Rs. 1,000 in taxes, I could have paid that tax by giving Government 1,000 tolas of silver. Will they receive 1,000 tolas of silver from

me now ? Sir Vincent, who is a great supporter of the currency policy, declared the other day in the House of Commons that a low rupee was a temporary advantage. Even assuming that the advantage was temporary, is that to be despised ? The Government is getting now a temporary advantage at the cost of the country, because, as the *Times of India* put it the other day, in the long run the State itself must share to the full in the distress of its subjects, but that temporary advantage means crores of rupees to the treasury. I quite admit that a low rupee gives an "undue" advantage to the producers. In fact it serves as a bonus ; but this advantage is gained by us at the expense of the producers of other countries, and surely we must not despise that advantage. The Government has fully reaped the benefit of this "undue" advantage in the shape of enhanced land assessment.

JAMSETJI ARDASEER WADIA

Bombay, 10th March 1902.

CURRENCY AND PRICES.

Bombay 3rd April 1902.

To the Editor of "Capital."

SIR,—It is a common device amongst lawyers to abuse the other side when their case is weak and on the point of collapsing. This "X" has done in your issue of 27th March last. There are three things which I advance, and which "X" has been attempting to controvert.

1. I maintain that the Government by forcing up the rupee to 16*d.*, when its value is only 11*d.*, takes from the tax-payer 5*d.* more per rupee. Formerly if

the ryot had to pay Rs. 1,000 in taxes, he could have discharged the debt by sending 1,000 tolas or 1000 rupee weight in silver to the mint. If the mints were opened, he could discharge his debt by purchasing 1000 tolas of silver which he could get for Rs. 635 to-day. Another illustration which I gave was this, that the producers in order to pay Rs. 1,000 in taxes with an open mint and the rupee at 11*d.*, would have to sell produce worth £46, but with the rupee now enhanced to 16*d.*, they must sell produce worth £66. "X" says, "that the crucial question to ask is whether the producer sells at a fair profit." How is he to find that out? When he goes to the Bankruptcy Court, I suppose.

2. The second thing I maintain is that low exchange puts more rupees into the hands of the producer for the same quantity of produce than high exchange does, that a producer will get for one sovereign worth of produce Rs. 15 at 16*d.* to the rupee, but that at 11*d.* he will get about Rs. 21 for the same quantity of produce the prices of which are dominated by sterling prices. If the above is correct, do you or do you not penalize the producer? It is said that he will not get the same gold price for his produce at 11*d.* to the rupee as he would get at 16*d.* I contest that statement most emphatically. The buyer of our produce in Europe does not care a farthing what our currency is, and it does not matter to him a button if the rupee is 11*d.* or 22*d.* What he says is this that if American Cotton, say Mid Uplands, is 4½*d.* per lb., I'll buy Indian Cotton, if it is sold, at 4*d.* per lb. We know that produce in England has fallen as measured in gold. Mr. C. W. Sorensen gives the following figures. From 1874 wheat

has fallen from 6s. 10d. to 3s. 4d. a bushel, barley from 4s. 11d. to 3s., oats from 3s. to 2s. 1d. We also know that the rents of agricultural lands have fallen within the last 25 years from 30 to 50 per cent; whilst on the other hand our produce, as measured in silver, and land assessment has enormously increased owing to the "accursed" depreciation in silver. And our past experience should be a sure guide as to what would have happened if prices had been allowed to settle on the basis of 11d. To-day the producer is worse off by about 9 per cent. compared to what he was on the day the mints were closed when the rupee stood at 1s. 2 $\frac{5}{8}$ d. Compared to 1894-95 he is worse off today by about 18 per cent., as the exchange in that year stood at 13d. "X" says "most people have admitted that a low ratio of exchange has upto a certain point benefited the Indian producer. For there can be no question that the low rate of exchange stimulated production, until in certain enterprises production degenerated into over-production." I am glad about this partial admission. "X" is charmingly vague when he says "upto a certain point." What point? 1s. 8d. to the rupee, or 1s. 4d. to the rupee, or 13d. to the rupee. I join issue with him on this point entirely. I admit no point and as I have said above, the foreign buyer does not care a straw what our exchange is when he pays 4d. per lb. for our cotton. The Oldham Chamber of Commerce only complained the other day that we were not growing enough cotton, and whilst America has increased her out-put within the last 15 years to a very great extent, we have hardly made any progress during the same period. So with all the help that our poor

cultivator got from the fall in silver we did not produce enough. Lastly with reference to the bugbear of over production, I also join issue with him there. Surely there has been no over-production in indigo which is between the devil and the deep sea. It is being crushed out of existence by the artificial indigo. There is no over-production as regards our manufactures. We too in Bombay were under the delusion of overproduction. We found the stocks in China very large, something like 2,00,000 bales. We went on short time and brought the stock of Indian yarn to 30,000 bales. We increased the cost of our production owing to short time, so what little rise there was in price was swallowed up by the extra cost per lb., and we indirectly played into the hands of Japan, because she did not go short time, and because she replaced us. Restriction of production would be a very good thing for raising prices provided you have no rivals in other parts of the world. But in the case of tea and yarn, not only we have rivals, but rivals favourably situated as they are practically on a natural silver basis. To ask the tea-planters to reduce the out-put with a view to raise prices is mid-summer madness, they would simply play into the hands of China and Japan more completely than ever. If they succeed in temporarily raising prices, they will confer greater benefit on their rivals, the result of which would be a greater stimulus to their production. Their advantage is manifest. Whilst our planter gets Rs. 15 for every sovereign worth of tea, his rivals get Rs. 22; so restriction of production under these circumstances would to my mind be hardly a remedy. I find from the compilation of Mr. George

Seton that the share and debenture capital of 152 Tea-Companies in Ceylon and India has fallen within 5 years 43 per cent. The Market value on the 1st of July 1897 was £22,750,000, on the 1st of March 1902 it was £ 13,000,000. Ninety per cent. of this loss I attribute to currency and not to overproduction. Look at the treatment meted out to the poor ryot as regards his assessment. On 26 crores a year he pays at the rate of 16*d.* a rupee instead of 11*d.*, something like £5,400,000 or 8 crores more per year. During the last six years he has paid 48 crores more than he ought to have paid and now according to the budget speech of His Excellency, the Viceroy, two crores are to be remitted to him, which his Lordship was frank enough to say would never have been recovered. What a burst of generosity ! What I wonder is this that with the rupee at 13*d.* our Government had a surplus ; so what right had they to force the rate up to 16*d.*, which means an increase of 18 per cent. in taxation ?

Yours &c.,

JAMSETJI ARDASEER WADIA.

THE BUDGET DEBATE.

To the Editor of the Times of India.

Sir,—Thanks to the ability and the eloquence of the Hon. Mr. Gokhale, the influence of the artificial rupee on the overflowing treasury has been thoroughly shown up. But from my point of view the honourable members of the Supreme Council, the Press, and the public, have erred as regards the method and the manner of remission of taxation. More or less, they all ask remission or reduction of the following taxes : *viz.*, the income-tax, the salt-tax, abolition of excise, duty on sugar, reduction of assessment, etc. If the entire surplus was devoted towards all the above taxes, the relief to the country would be temporary and partial. Now, Sir, I take the entire taxation of the country at about Rs. 110 crores, and at the rate of 5*d.* per rupee, we pay in indirect taxation something like £ 2,20,00,000 or about Rs. 34 crores in excess. Even at the rate of 13*d.* to the rupee, when we had a surplus, the rise in indirect taxation is about 18 per cent., or about 20 crores. This is not the only loss. I estimate the entire loss to the producers at about Rs. 60 crores a year, and Mr. Wilson, of the *Investors' Review*, is also of the same opinion, as per his article of March last in the *Positivist Review*. I would, therefore, ask for such remission as would put heart in the starving ryot, help the ruined planter, and set up on his legs the struggling manufacturer. This could only be done by lowering the rupee, say to 12*d.*, which would mean an

indirect remission of taxation to the extent of about 25 per cent.

As to the Budgetary equilibrium under these circumstances I have no doubt, for the simple reason that in 1894-95, with 13*d.* to the rupee, we had a surplus, and since then according to high authorities we have progressed by leaps and bounds. The rupee at 16*d.* is not fixed as the following will show. Sir David Barbour expressly stated in the Supreme Council on the 26th June, 1893, "that the Government did not undertake either to establish 16*d.* per rupee as the permanent ratio of exchange between gold and the rupee, or to establish any other permanent ratio immediately or within a specified time." So much for the fixity of the rupee. The Government, however, are likely to persevere, and I am afraid the producers are doomed to suffer. In spite of loud protest to the contrary, we are on a downward economic grade, and I will only quote one instance. Mr. George Seton says that on the 1st July, 1897, the market value of 152 tea companies' shares and debentures stood at £ 2,27,50,000 ; on the 1st March, 1902, it was £ 1,30,00,000 thus showing a depreciation of about 43 per cent. So much for our economic progress, which synchronizes with overflowing surpluses. At what cost are they obtained ?

Yours etc.,

JAMSETJEE ARDASERR WADIA.

Bombay, 9th April, 1902.

THE VOICE OF INDIA.

THE BUDGET DEBATE.

THE BURSTING OF THE CURRENCY BUBBLE.

Since of the closing of the Mints in 1893, the task of the Finance Minister has been made pretty easy owing to the fictitious value of the rupee. The ignorance on the subject of the educated classes in general and the professional politicians in particular has been profound. Year after year the surpluses were shown to be growing, till the unprecedented large figure of about 7 crores was reached for the year ending 31st of March last. A great deal of light has been thrown on the subject in recent months, as our columns have testified from time to time. The riddle of a full treasury on the one hand, and the empty pockets and still more empty stomachs of the people on the other, was solved in a dramatic fashion. The ball was set rolling by the Hon. Mr. Moses in a neat speech which he delivered last month in the Bombay Chamber of Commerce. He drew a distressing picture of the state of the Indian industries such as cotton, tea and indigo which have been unfortunately brought to a sorry pass by the debased rupee, and he further alleged that the poor and miserable ryot, whose condition of late has been drawing general attention, has also been victimized. He therefore begged the Government to take timely steps to relieve the country from the trammels of a fictitious rupee. We have always highly appreciated the very

many services rendered to this country by Mr. Moses in his calm, quiet, and dignified way ; but for the effectual bursting of the currency bubble, the honour must be ungrudgingly bestowed on Mr. Gokhale who in a slashing speech in the Supreme Legislative Council thoroughly exposed the recent currency policy of the Government, to which he ascribed the unprecedented surpluses of the Finance Minister and the unexampled misery of the people. He said that within the last sixteen years taxes have been raised by 12·30 crores a year to meet the growing and reckless expenditure on the one hand and the deficiency caused by the falling rupee on the other. He further said : "The country has been called upon to accept these fresh burdens year after year increasing without interruption with a view to maintaining a "strong financial position," proof against all assaults. The broad result of the continued series of taxing measures has been to fix the taxation of the country at a level far above the actual needs of the situation. A taxation so forced has not only to maintain a budgetary equilibrium, but to yield as well "large, continuous, progressive surpluses" even in years of trial and suffering is I submit against all canons of finance. The struggling millions have been hit the hardest during recent years by famine and plague, by agricultural and industrial depression, and the currency legislation of the State." His speech, which has been praised by the vernacular and the Anglo-Indian press, was likened to the bursting of a bomb-shell thrown in the midst of an august assembly, whose members thought that they had met to congratulate one another on the unprecedented flourishing

state of the finances. The Calcutta correspondent of the *Times of India* describes the incident in a graphic way. "The Hon. Mr. Gokhale went over the traces like a runaway horse. It was utterly unexpected. When the kicking began it was sudden and violent, and it made Sir Edward Law pale and angry. The subject of Mr. Gokhale's able and surprising speech was taxation; the anomaly of an overflowing treasury on the one hand and the suffering of the oppressed myriads on the other. It was nothing more or less than a scathing attack on the whole financial policy of the Government. I must say that I listened to it with great pleasure, so ably, logically, and with such admirable lucidity were his arguments put forward, so great was the literary quality and the command of nervous English, so admirably was it delivered." This is a high compliment. With the general reply given by Sir Edward Law, which was vague and general, we shall not concern ourselves here. We shall only refer to him as regards the currency policy. He said that the currency policy was the outcome of the deliberations of the most competent experts on a question of great technical difficulty. Sir Edward Law must not forget that the opinion obtained from the experts was on a misapprehension of the position, *viz.*, that the country was on the verge of bankruptcy, and as no more taxes could be raised, Mints must be closed to save insolvency. But what are we now told? In spite of famine and plague which cost about 15 millions sterling, in spite of the burden of the artificial currency, we are progressing by leaps and bounds. If this is the true picture of our condition, surely we are likely to be better off

under an honest currency. The truth is that we are fast going down, and the entire press of the country is unanimous in its opinion that a large surplus spells impending ruin. To give one instance of the pitiable state of industrial India will be enough for our illustration. Mr. George Seton says that the total face value of share and debenture capital of 152 tea companies of Ceylon and India is £ 18,000,000. On the 1st of July 1897, its market value was £ 22,750,000 ; on the 1st of March 1902, it was £ 13,000,000 ; thus showing a depreciation of nearly 43 per cent. The figures need no comment from us. Now let us turn for a moment to the "fortunate" ryot who has received the boon of 2 crores of rupees in remission of taxation at the hands of his generous Government, for which it has received unstinted praise from the press and the public. We have often said that at the rate of 16*d.* to the rupee, instead of 11*d.*, the ryot pays on his Rs. 26 crores of annual land assessment an excess of £ 5,400,000 or about Rs. 8 crores per annum. During the last six years, according to our view, he has paid 48 crores of rupees more than he would have paid with an open Mint. He is now forgiven a debt of Rs. 2 crores which H. E. the Viceroy was frank enough to say would never have been recovered. What a burst of generosity, to give him Rs. 2 crores back after taking Rs. 48 crores ! What we cannot understand is, that after balancing its budget on the basis of 13*d.* to the rupee in 1894-95, the Government should force up the rupee to 16*d.*, which means an increase of indirect taxation to the extent of about 18 per cent.



CURRENCY COMPLICATIONS.

To the Editor of "Capital."

SIR,

The way in which "X" replied to the criticisms of Major E. F. Marriot in your columns some time back has gratified me, and I am glad he is coming to himself again. His contribution in your valuable issue of the 24th instant is now before me, and I have no fault to find with it. I think we are now both in a position to discuss this vital question without passion and prejudice. He thinks I have overstated my case regarding indirect taxation. I admit, I laboured the point, but I did so because I was challenged to prove it, and I did my best to prove it from different points of view. I am now asked that if the rupee was to fall continually, how is the Government to balance its budget, for the luxury of an enlightened Government must be paid for? I thoroughly believe in the benevolence of the British rule, and I also believe that no other is possible in India. But when did poor India refuse to pay for it? Exchange has been falling since 1873 from 24*d.*, and upto 13*d.* in 1894 we balanced our Budget. No doubt there has been extra taxation in the interval, and it was levied. The expenses of our Government have been growing faster than the country can stand. But it was able to meet this heavy burden owing to the advantages conferred on the country by the fall in silver. What is our position now? Expenses still keep mounting up, but the relief which low

exchange gave to the producers is now denied. They are between two stools as it were. "X" says that gold debts were incurred wisely or unwisely, and they had to be discharged. We never objected to that, and it is a rank fallacy to suppose that you can reduce your gold burdens even by a feather-weight by putting a false value on the rupee. You simply intensify them and make the burden all the heavier. I will quote Sir R. Giffen, K. C. B. on this point. "The community of India—the Government and the people together—are not affected in any way by changes in the value of their money with reference to any foreign money in which their obligations have to be paid. As far as the community of India is concerned, the gold to be paid in London is the same thing, whatever their money is." This is plain enough to my mind. If India has got to give 17 millions sterling to England, it must give gold to that amount, and if we have no gold, we must send a certain quantity of produce which will fetch in England 17 million pounds sterling. So it does not matter a brass farthing if we value our rupee at 11*d.* or 22*d.*, or anything else. We must supply a certain quantity of produce for which the buyers on the other side will give us the required amount. Fall in the value of the rupee was an indirect remission of taxation. I will quote Sir R. Giffen again: "What the Indian Government loses at the moment through its revenue not being sufficient to obtain command of the produce required to pay its gold debt, clearly amounts to a remission of taxation of equal amount to the people of India." But as we know, the Government took very good care that there should be no indirect

remission as stated above, because they compelled us to balance the budget by imposing fresh taxes. The unfortunate producers even offered to submit to an export duty in case the budget was not balanced. "X" says that there was no intelligent native opinion to support a Finance Minister in his attempt to levy more taxes with an open mint. I admit that if Government had attempted to raise 3 or 4 crores more, there would no doubt have been a howl. I know of no native public man who has a grasp of this question. But I believe there would have been no necessity for extra taxation, as the country's resources would have gone up under the stimulus of a low exchange by leaps and bounds. "X" says: "Mr. Wadia does not attempt to examine the logic of my general proposition, *viz.*, whether the producer sells at a fair profit." I have examined it, and I see that the poor producer who cannot articulate his wrongs is collapsing all round. He is dying of hunger and want. During the last famines it has been proved that the famine was of money and not of grain. Last year the Finance Minister stated that the heavy famine expenditure was paid for without extra taxation. I was the first to challenge it, and I am glad it was not repeated again this year. Another hare has been now started by him, *viz.*, that imports are rising fast, thus proving the consuming power of the country. About exports he is studiously silent. I admit the heavy rise in imports, but the conclusions I certainly do not admit. I attribute it to artificial currency, as I attribute the overflowing treasury to false currency. I have always held that the ryot hardly requires our import, the bulk of which is consumed by a better

class of Europeans and Natives. I do not say he consumes nothing, but what he wants is very little. Eighty-six per cent. of our people live by the land, and they are victimised by the currency legislation. The consuming power of the masses has decreased and that of the classes has increased. There has been a sweeping transfer of the wealth from an abjectly poor to a better class whose purchasing power is now enhanced. I have often said that at the rate of 5*d.*, per rupee on 110 crores of our taxes, we pay about 34 crores more per annum. We have taken this amount from 300 millions of people, and given it to about a million. As the "Statist" of the 5th November 1892 clearly expresses what I mean, I will quote it here. "If the purchasing power of the rupee were raised by 20 per cent, land-tax and all other taxes payable to the Government would likewise be raised. So would all debts due at the time the change was made, in other words every banker, capitalist, and usurer would find his property so far as it has been lent out to others increased 20 per cent. Of course likewise official salaries would be enhanced in the same way. There would be a sweeping transfer of property from the producing working millions who create the wealth and property of the empire to the servants of those millions and to the parasites who prey upon them."

Yours etc.,

JAMSETJI ARDASEER WADIA.

Bombay, 30th April 1902.

UTL AT DOWNSVIEW



D RANGE BAY SHLF POS ITEM C
39 06 05 15 01 020 4